

**SURFACING FACTORS THAT PREVENT SMALL
BUSINESSES IN ECONOMICALLY DEPRIVED AREAS
FROM GROWING: A MULTIPLE CASE STUDY IN SITE C,
KHAYELITSHA**

A Dissertation
presented to

The Development Finance Centre (DEFIC)
Graduate School of Business
University of Cape Town

In partial fulfilment
of the requirements for the Degree of
Master of Commerce in Development Finance

by

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September, 2018

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PLAGIARISM DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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DEDICATION

This work is dedicated to my mother Nopasika Ncoliwe for instilling in me a sense of self love and a belief that I was destined for great things in life since I was young.

ABSTRACT

The research identified Site C area of Khayelitsha, a township in the Western Cape Province of South Africa, as the case study. Khayelitsha is a historically black township situated on the periphery of Cape Town. Site C is an area which was built around one of the old formal areas, and is made up of different types of dwellings: it contains a large number of informal settlements, Reconstruction and Development Programme (RDP) houses, and informal, backyard dwellings.

The prime objective of the study was to surface factors that prevent black-owned small, medium and micro enterprises (SMMEs) in the socio economically deprived area of Site C, Khayelitsha, from growing despite the support provided by government. The secondary objective was to determine what role government could play to effectively assist and promote such SMMEs, and to explore possible interventions to address the common challenges identified. Identifying these factors and understanding their dynamics can assist in developing strategies which will help in overcoming these challenges.

The study utilised a multiple case study approach. Choosing businesses situated in the same geographical area ensured that certain external factors were held constant (for example, the socio-economic status of the surrounding community, distance from economic hubs, and crime levels), and therefore the use of multiple case studies allowed. Qualitative data was collected from eight small business owners using semi-structured interviews in order to obtain a detailed picture of each owner and their business, and to enable a detailed descriptive analysis of each participant. The data was analysed using Tesch's data reduction method.

The research revealed several common challenges, including inadequate government support, lack of appropriate business management skills, poor infrastructure, and insufficient access to financial resources. Based on the findings it was concluded that conducive operating conditions, particularly in relation to economic and social factors, are crucial for the success of SMMEs in economically deprived areas.

ACKNOWLEDGEMENTS

I thank my family and my friends for being my solid rock and back up always.

I would like to thank my supervisor, Associate Professor Ines Meyer, for her unrelenting belief in me and patience. I am particularly grateful for the many important conversations to reassure me of the progress during the thesis process. It is her energetic positive style of supervision that has taught me more. Her enduring patience throughout each step of this research venture was most helpful, her availability was most appreciated and without her I could not have finished my research.

I am really grateful to my employer, the University of Cape Town, for funding my studies and for allowing me some time off to complete this thesis.

A special dedication goes to all the young people from the black townships of South Africa, particularly those who are based in Khayelitsha and push against all odds. Let my work be the proof that we all have a chance to make it in life.

Above all, I am eternally grateful to my main participants with whom I have had numerous engagements over the last few months of my research. These words cannot convey the respect and admiration I have for all of them. They allowed a complete stranger into their lives. These people remained gracious, sharing intimate stories and allowing me into their homes and businesses. It has been their experience that has completely altered my understanding of small businesses.

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LIST OF ACRONYMS

BBBE	Broad-based Black Economic Empowerment
BCBD	Bellville Central Business District
BDSC	Business Development Service Centre
CBD	Central business district
CSBP	Centre for Small Business Promotion
CoCT	City of Cape Town
CRSCI	Crime Research and Statistics Crime Intelligence
DTI	Department of Trade and Industry
GDP	gross domestic product
GEM	Global Entrepreneurship Monitor
GF	Golden Future
KfW	Kreditanstalt für Wiederaufbau
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
ISBDS	Integrated Small Business Development Strategy
LBCs	library business corners
LBSCs	local business service centres
NBSA	National Small Business Act
NCR	National Credit Regulator
NCA	National Credit Act
NGO	non-governmental organisation
NYDA	National Youth Development Agency
OECD	Organization for Economic Cooperation and Development
SAPS	South African Police Services
SEDA	Small Enterprise Development Agency
SBP	Small Business Project

SMMEs	small, medium and micro enterprises
Stats SA	Statistics South Africa
WCPERO	Western Cape Provincial Economic Review and Outlook

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CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Introduction

Small, medium and micro enterprises (SMMEs) are found in most communities in South Africa. They are viewed as vehicles for creating employment and sustaining livelihoods for many underprivileged communities (Richards, 2006). Small businesses are assumed to stimulate economic activity and alleviate poverty, and to promote, or improve, prevailing living standards. This assumption has been recognised in countries as diverse as the United States of America, the United Kingdom, Italy, Germany, and France, and also in a number of countries with high poverty levels (Van Vuuren & Groenewald, 2007). Golden Future (2011) reveals that SMMEs, particularly in developing countries, are key to survival. As there seems to be a direct link between crime, poverty and existing levels of inequality (Ikejiaku, 2009), supporting entrepreneurship could also be part of the solution to lowering crime levels if it creates jobs (Van Vuuren & Groenewald, 2007).

In line with this thinking, the South African government adopted a White Paper outlining the National Strategy for the Development and Promotion of Small Business in South Africa (South Africa, Department of Trade and Industry, 1995). The Integrated Small Business Development Strategy was set up to enhance the environment for small business development in South Africa. The purpose of the National Strategy is to ensure that small businesses are progressive, and focus on expansion, job formation, fairness, and entrance to marketplaces, amongst other. The key objectives of the National Small Business Strategy are to:

- Create, and permit, a conducive environment for small enterprises;
- Enable improved access to learning about finance and growth opportunities;
- Empower black businesses;
- Grow the involvement of women in all trade areas;
- Ensure that there are equal opportunities among small and big businesses, as well as between rural and urban businesses; and
- Organise small business so that it is able to overcome the barriers it faces in the international competitive environment (South Africa, Department of Trade and Industry, 1995).

In order to assist in realising these objectives, government has introduced a number of financial and non-financial institutions aimed at assisting SMMEs (Mago & Toro, 2013). The Small Enterprise Development Agency (SEDA) was formed in 2004 through the merger of two institutions, the National Manufacturing and Advisory Centre (NAMAC) and the Community Public Private Partnership Programme (CPPP). Furthermore, the government has, with the support of the Department of Trade and Industry (DTI), developed Centres for Small Business Promotion (CSBP) at a national level. The CSBP established the Khula Enterprise Finance Limited and the Ntsika Enterprise Promotion Agency to implement the government's objectives, yet SMMEs in impoverished areas seem to have drawn little benefit from these. The supply of sustainable business development, particularly support for small business, has been insufficient (Ngxiza, 2011). Micro enterprises in impoverished areas, for example, may need assistance with basic tasks such as the completing of funding application forms.

Identifying what is essential for such businesses to develop is of critical importance for the future development of SMMEs in economically deprived areas. Once the challenges which face such SMMEs have been identified, government policy can be tailored to meet their needs so that an effective mechanism can be put in place to assist businesses and development programmes (National Credit Regulator, 2011).

Employing a case study approach, this study aimed to identify challenges facing micro and small enterprises in one economically deprived urban locality, i.e. Site C, an area situated in Khayelitsha, Cape Town. Understanding the difficulties SMMEs face in this area may make it possible to identify appropriate approaches which may strengthen the role of SMMEs as catalysts for economic development in economically deprived urban areas in general.

In the next section the problem statement is presented, the aim and objectives of the study are explained, the research question is provided and the rationale for choosing Khayelitsha as a site for research and data collection is provided.

1.2 Statement of the Research Problem

The South African government has identified SMMEs, also referred to as small business, as an important vehicle to increase economic activity and create employment in South Africa. Small businesses can play a vital role in achieving Vision 2030, stipulated in the National Development Plan (NDP), to reduce unemployment to 6% through the creation of jobs in small

and expanding firms. However, for this to be achieved the policy framework, this might mean that government needs to create a more enabling environment for business entry and expansion, in particular through credit and market access (NPC, 2011). In South Africa, government recognises the importance of this segment of business activity and a new Ministry of Small Business Development was established in early 2014. The aim of the Ministry is to facilitate the promotion and development of small businesses. These enterprises contribute significantly to national gross domestic product (GDP) and have proved to be major contributors to job creation (DTI, 2008).

To date, this has not translated into a drop in the unemployment rate. The unemployment rate in South Africa increased to 27.7% in the first quarter of 2017, from 26.5% in the previous period (Statistics South Africa, 2017). The high unemployment rate in South Africa necessitates that alternative ways of creating employment opportunities are found; a higher level of entrepreneurship and increased levels of SMME start-up are critical to reverse this trend. The Global Entrepreneurship Monitor (GEM) research (Herrington, 2009) has consistently revealed that this has not taken place as anticipated due to some challenges in South Africa. The top challenges to entrepreneurship in South Africa are a difficult regulatory environment, the low level of education and training among the population, lack of finance and other social factors that do not encourage entrepreneurship as a career choice.

Crime Research and Statistics Crime Intelligence (CRSCI, 2012) states that Khayelitsha has high levels of crime, with SMMEs being plagued by thieves who perpetrate criminal activities daily, with little regard for the value of human life. This issue has affected business development in Khayelitsha immensely (CRSCI, 2012).

This study focuses on the informal sector. Morris and Pitt (1995) describe the informal sector as those economic activities not recorded in public financial records, and not subject to formal rules of contract, licensing, labour inspection, reporting and taxation. Rogerson (2000) specifically described the informal sector as mostly home-based enterprises, single-person or family operations. Therefore, this sector, focusing on Site C, Khayelitsha, cannot be ignored and needs to be understood on whether it can create businesses that are a sustainable source of financial independence.

SMMEs in South Africa, particularly in economically deprived communities, face numerous challenges, including a high prevalence of crime and a shortage of finances (Rogerson, 2008; Booyens, 2011). Other challenges include a weak culture of entrepreneurship, and poor managerial skills, which further increase the failure rate among small businesses (NCR, 2011).

1.3 Aim of the Study

The purpose of this study is to identify factors that prevent SMMEs in economically deprived areas from growing despite the support provided by government. By identifying these factors and understanding their dynamics it is envisaged that strategies can be developed which will help such businesses to overcome some of these challenges.

1.4 Research Objectives

The primary objective of the study is to identify the challenges and opportunities faced by black-owned SMMEs in Site C, Khayelitsha. The secondary objective is to determine what role government could play to effectively assist and promote such SMMEs.

1.5 Research Question

The formulation of the above-mentioned objectives led to the development of the following research question: What factors prevent SMMEs from growing despite the country's favourable policy environment and availability of financial support, particularly those situated in economically deprived areas where income opportunities are most required?

1.6 Significance of the Study

In the study, the researcher sought to understand how small businesses in economically deprived communities could remain competitive, and still manage to succeed given the conditions they operate under. The findings and recommendations of this study could provide the small business owners with sufficient knowledge in running their businesses more effectively. Exploring the experiences of each business owner will help to provide a picture of the true state of each business and to account for significant differences between the performance of businesses. This research study is crucial because it will offer first-hand knowledge and understanding of failures and successes encountered by each business and the causes thereof.

1.7 Rationale for choosing Site C, Khayelitsha

The 2011 Census data revealed that the population of Khayelitsha was 391,749, living in 118,809 households, with an average household size of 3.30 persons. The community, which was established in 1983, comprises approximately 98.6% Black African, 0.6% coloured, 0.1% Asian, 0.1% white, and 0.6% residents from other racial groups (City of Cape Town, 2012). From 1996 to 2011, Khayelitsha's population grew by 79,000, mainly due to the influx of people from other provinces (City of Cape Town, 2012; Ngxiza, 2011). Yu and Nieftagodien (2008) point out that Khayelitsha, which is the second largest township in the country after Soweto, experiences multidimensional poverty. The area is characterised by inadequate services, lack of affordable housing, poor health services, inadequate education provision, and high levels of unemployment, poverty, and malnutrition (Ngxiza, 2011).

Ngxiza (2011) reported that more than one in three Khayelitsha households did not have water (in the house or yard), more than one in four did not have a flush toilet connected to the sewerage system, almost one in five did not use electricity for lighting, and the same proportion did not have refuse collected every week. Inadequate public services have been a regular cause of protest, particularly in Site C.

Poverty persists in the area because of very high levels of unemployment. The 2011 Census data indicates that the unemployment rate in Khayelitsha was 38.32%, with the employed making up 40.15% of the total number of Khayelitsha residents, and the labour force participation rate standing at 65.10% (City of Cape Town, 2013). The majority of older people living in Khayelitsha were born in the Eastern Cape. While most (78%) children and adolescents (aged up to and including 19 years) were born locally, 18% were born in the Eastern Cape (and 4% elsewhere).

The Census data suggest that the median household income in Khayelitsha in 2011 was approximately R20,000 per annum, whereas the figure for Cape Town as a whole was approximately double that (Ngxiza, 2011). Of the 25% of residents in the greater Cape Town area who live on a monthly income of R3,200 or less, 50% were residents of Khayelitsha (City of Cape Town, 2013). The absence of employment opportunities often results in feelings of helplessness, which in turn can lead to other problems, including drug and alcohol abuse. Thus, in this environment the family and home become dislocated, which in turn affects the wider

community and society as a whole (City of Cape Town, 2013). The level of unemployment is very high and the living standards are still below the national poverty line (Ngxiza, 2011).

The 2011 Census found that just under half of the dwellings in Khayelitsha were formal (mostly small, government-subsidised free-standing houses), while 54.5% were shacks, mostly in shack settlements but some in the backyards of other dwellings. Khayelitsha is sub-divided into different sections. Site C is one of these sections, and is predominantly an informal settlement area. Site C is an area of legalised squatting and basic services are provided, such as the bucket system, sanitation, communal taps and water drainage. Plots of land were originally allocated at 150 square meters. Residents of Site C were originally moved from Crossroads in 1983, on the basis of a promise by the then-apartheid government to legalise their urban status (Pick et al, 1990). By 2018, shack dwellings had been constructed on the outskirts of the informal settlement wherever there was space available. These informal squatter areas lack adequate infrastructure. The location of shacks changes in response to flooding or drifting sand.

According to Ngxiza (2011), Khayelitsha's main economic sector is still the survivalist informal sector. This means that most businesses are not registered and conduct unregulated economic activities that do not contribute to GDP (Von Broembsen, 2010). Informal businesses operating in Khayelitsha include seamstresses and tailors, fruit and vegetable street vendors, catering businesses, Spaza shops, shebeens and taverns, hair dressers and barber shops (Chiloane-Tsoka 2013). Other popular businesses that operate in Site C include Spaza shops, minibus taxis, the sale of building materials such as zinc, windows, wooden planks, and second hand furniture. Other small business owners offer shoe repairs, panel beating and fixing punctured tyres.

Between 2001 and 2013, unemployment in Khayelitsha has not reduced (Seekings, 2013). However, it is difficult to determine an accurate level of unemployment in Site C because of the continuous influx of people into the area. The majority of people in formal employment are in either unskilled or semi-skilled jobs. Most men are employed by construction companies, whereas women are often employed as domestic workers. Site C's formal sector is very small and as a result is unable to provide enough employment for the people living in the area. Other barriers to accessing employment include a lack of job opportunities within the formal economy more broadly, and its location in relation to Site C. This has led to an increase in

informal industry, which provides a crucial survival strategy for the community members that live in the area (City of Cape Town, 2013).

As most SMMEs in Khayelitsha are informal (not registered businesses), their owners are classified as unemployed, even if they are not (Small Business Academy, 2014). In 2014, Khayelitsha had about 85,000 SMMEs, operating in a metropolitan township of about 800,000 residents (Small Business Academy, 2014).

1.8 Outline of the Dissertation

There are four chapters following this introductory chapter. Chapter Two includes a comprehensive literature review of the challenges and opportunities facing SMMEs, based on information collected from journal articles, textbooks, Internet sources and theses.

The study's research method is outlined in Chapter Three. It provides an explanation of the research design used, the data collection procedure and tools of analysis.

Chapter Four presents the research findings and provides interpretations and discussions of these findings. The study limitations and recommendations for future research are outlined.

Chapter Five, the final chapter, provides recommendations and conclusions, and outlines the potential policy implications of the research findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

According to Van Vuuren and Groenewald (2007), positive conditions for business, in terms of social, economic, and personal factors, are necessary for entrepreneurs to succeed. Important economic factors include access to capital, new technology, and government support. Non-economic factors include a desire for personal development, and an effective education system. Examples of social factors are the encouragement that is received from other family members, and the support of friends, which might influence the desire to become an entrepreneur. Pickernell, Packham, Jones, Miller and Thomas (2011) note that for SMMEs to grow, they are required to be resourceful, and to develop abilities, competencies, organisational processes and business knowledge that enable the business to improve its efficiency and effectiveness. In economically deprived areas these positive business conditions may be more difficult to establish than in more affluent environments.

In this chapter, an overview of the type of SMMEs in South Africa is provided first, followed by a detailed discussion of the constraints confronting the operations of SMMEs.

2.2 SMMEs in South Africa

According to the National Small Business Act of 1996, No. 102 (South Africa, 1996) as amended by Act 26 of 2003 (SA. NSB, 2004), the 14 categories of small business in South Africa form distinctive groups, namely small, micro and medium, hence the use of the term SMME (South Africa. Department of Trade and Industry, 1996). The above-mentioned Act defines a small business as “a separate and distinct business entity, including enterprises managed by one owner or more, including its branches or subsidiaries if any, [which] is predominantly carried on in any sector or subsector of the economy mentioned ... [in] ... Schedule 14”. (South Africa. Department of Trade and Industry, 2004).

SMMEs in South Africa are categorised according to their staff size, annual turnover and assets. Table 2.1 below provides an overview of the different classifications of SMMEs.

Table 2.2: Broad structure of Small, Medium and Micro Enterprises (SMMEs)

Enterprise size	Number of employees	of Annual Turnover (SA Rands)	Gross (excluding fixed property)	Assets fixed
Medium	100 - 200	< R4m-R50m, depending on industry	<R2m-R18m, depending on industry	on
Small	<50	<R2m-R25m, depending on industry	<R2m-R4.5m, depending on industry	on
<i>Very small</i>	21 - 49	R500 000-R2m	~R500 000-R2m	
<i>Ultra-small</i>	<10	- 20	<R200 000-R500 000, depending on industry	on
Micro	<5	< R150 000	< R100 000	

Source: Adapted from Falkena et al. (2001)

Most enterprises located in townships are micro enterprises. A more detailed overview of this category is thus provided in the following section.

2.3 Formal versus Informal Businesses

Like SMMEs, several definitions have been coined for the informal sector. Barker (2003) defines the informal sector as: “unorganised and mostly legal but unregistered economic activities that are individually or family owned and use simple, labour intensive technology”. Statistics South Africa (2011) defines informal businesses as “unregistered businesses run from homes, street pavements or other informal arrangements.” Portes and Haller (2005) define informal businesses as “enterprises that are not legally regulated by the institutions of society in a legal and social environment in which similar activities are regulated”. The definition by Portes and Haller (2005) will be used for the purpose of this study.

Formal businesses are registered either as a sole trader, close corporation, partnership or limited company. In addition, they pay taxes, perform other legal obligations and benefit from the protection of the law. Nonetheless, the difference between formal and informal businesses is not purely legalistic. Foxcroft, Wood, Kew, Herrington and Segal (2002) identified important differences between formal and informal township businesses. Their study suggests the need for different policy instruments to support informal and formal businesses as they have divergent needs. On average the authors found that formal township businesses employ seven times more people and have higher turnover and that their owners were much more likely to have completed matric.

2.3.1 The Need for Formalisation of Informal Businesses

From the perspective of policy makers and national government, it is very important to formalise informal businesses for several reasons: this allows for a financial injection to be made into the mainstream economy through the registration of informal businesses, adding to the circular flow of revenue, and may result in greater accuracy when measuring national accounts or the gross national product (GNP) (Gërxhani, 2003). A number of economic misrepresentations can occur when informal businesses evade tax and hide their financial statement indicators, resulting in challenges in calculating the GNP and adopting appropriate tax regimes.

While tax avoidance is often advanced by informal businesses as their principal motivation for remaining informal, the need for small businesses to grow often requires registration. The registration of informal businesses is crucial for their growth as most financial institutions are more interested in providing funding to registered businesses due to a number of factors, for example a track record of the business bookkeeping, transparency of business processes and lower risk of defaults on loans advanced (International Finance Corporation, 2013).

The prospects of informal businesses expanding into viable businesses are thus often restricted by access to funding, though not completely impossible (Rolfe, Woodward, Ligthelm, and Guimarães, 2010), if the enterprise remains unregistered. Although reasons such as access to funding, legal acknowledgement and opportunities to access bank loans may motivate informal businesses to become registered, it is crucial to note that there are many challenges in the process of transitioning to a formal business. Thus, each business engaged in this process should be prepared to encounter many challenges during the transition phase.

2.3.2 Measuring the Informal Sector

It is important to understand the significance of measuring the informal sector. Jamie, Talmage and Yusef (2006) argue that the contribution of the informal sector to local and global economies is sufficient reason to compel profit and non-profit making organisations to collaboratively determine a comprehensive method for measuring this sector. Jamie et al. (2006) point out that an accurate measure of the informal sector is important because it can aid governments in the identification of uncollected tax revenue, thus leading to a more exact estimate of a country's GDP. In addition to benefiting government, the measurement of the informal sector could also be of importance in promoting urban community development. In line with the above point, more accurate information on small informal businesses might encourage the engagement of a mainstream of small business lenders, the effects of this might be to encourage small business lenders to lend money to small informal businesses (Jamie et al., 2006).

Garcia-Bolivar (2006) argues that measuring the size of the informal sector is a difficult and problematic exercise. Garcia-Bolivar's (2006) argument is supported by the fact that there is no identification system (or documentation) that keeps records of the informal sector, which largely comprises unregistered businesses. Flowing from this, it could be argued that an identification criterion is critical in determining the real size of the informal sector which is necessary to determine the country's Gross National Product (GNP) more accurately by providing a real value for the size of the informal sector. Registration on its own enables the contribution of the informal sector to the GDP of a country to be determined easily.

Madziakapita (2003) outlines two different ways of measuring the size of the informal sector: (i) estimation of the number of people employed in the informal sector. This is the easiest way of measuring the size of the informal sector; and (ii) estimation of the value of goods and services (profits) produced by the informal sector. The latter method is more interesting for calculating national income accounts, but is more difficult because of the lack of sales record and and documentation of profit margins in the informal sector (Madziakapita, 2003).

Husmanns (2004) suggests that LFS should be used as a source of data for measuring the size of the informal sector. Husmanns argues that the number, characteristics of persons working in the informal sector and their working conditions can be attained by including in an existing

LFS periodically a few questions about the informal sector and its characteristics. These questions should be asked of all the people employed in the sector during the reference period of the survey, irrespective of their status in employment. By using this method, Husmanns (2004) argues that it would be possible to collect ample information on the characteristics and volume and employment from all categories of the informal sector.

Government aims to create five million jobs by 2020 as mapped out in their programme called the New Growth Path. Many of these jobs would most likely need to be created by small businesses (Masote, 2012). According to Nazeem Martin, the Managing Director of Business Partners, this will be possible as “Statistical surveys indicate that more than 50 percent of people in formal jobs are employed by SMMEs, and more than 60 percent of new jobs created every year are created by SMMEs” (Ryan, 2012).

In 2010 there were 5 979 510 small businesses in South Africa, according to the 2010 Finmark Trust Finscope Small Business Surveys, which indicates a marked increase from government’s last recorded figure of approximately 2.2 million in 2006 (Simrie, Herrington, Kew & Turton, 2012). In addition, the survey reported that small businesses could create 2.5 million jobs in South Africa by 2020. Finmark Trust further believes that the government could reduce the number of social grant beneficiaries by 500 000 if it supported small businesses more actively (Timm, 2011; Themba, 2012).

D’Angelo (2010) and Barron (2009) observed that, despite the extent of small business activity, South Africa still does not fare very well as an entrepreneurial nation when compared to other countries around the globe. South Africa even lags behind other developing countries in encouraging successful entrepreneurship and start-up, as well as established businesses. This is reflected in the GEM 2012 report (Turton & Herrington, 2013) which reported that the start-ups or new business ownership rate in South Africa is 7.3% whereas the established business ownership rate is 2.3%.

2.3.3 Micro Enterprises

The informal sector provides a means of survival, rather than offering entrepreneurial opportunities for people living in South African townships (Charman, Petersen, Duda, Davids & Simons, 2012:2; Du Toit & Nerve, 2007). The Western Cape Provincial Economic Review and Outlook (Provincial Government Western Cape, Provincial Treasury, 2007) states that

micro enterprises can be classified as survivalist organisations, in terms of the following criterion: survivalists do not employ staff. Examples of such entrepreneurs include hawkers, vendors, and spaza shop owners. In South Africa, women are commonly involved in and the driving force behind such businesses in order to maintain family survival (Morris, Jones & Nel, 2010).

South African SMME's that operate in the informal sector thus do not pursue their business ventures by choice, but rather out of necessity, and they are more likely to take up formal employment if such an opportunity were to arise. The majority of people operating small-scale, cash-based businesses are thus referred to as survivalist enterprises (Charman et al., 2012).

The informal economy includes business activities that are economic in nature, but which are not recorded in the national accounts, and which are not licensed. However, the informal sector in South Africa is relatively small by international standards. The International Labour Organisation (ILO) (2016) estimates that approximately 78% of non-agricultural jobs in sub-Saharan Africa, excluding South Africa, are located in the informal sector, with the figures for Asia and Latin America being 65% and 51% respectively.

While international comparisons show that South Africa's informal sector is relatively small, inter-provincial comparisons reveal that the informal sector in the Western Cape Province is even smaller. Currently, the informal sector does not create as many jobs as the formal sector and it is not making a substantial contribution to the Western Cape economy where this study was conducted. Figures from Statistics South Africa show that the formal sector currently has 1 285 791 people employed, while the informal sector 'employs' 170 089 individuals (Statistics South Africa, 2017). In principle, with the correct support informal SMMEs may be able to create local jobs, and increase employment opportunities in areas with particularly high levels of unemployment. The role of SMMEs in the creation of employment is outlined in the next section.

2.4. Business Entrepreneurs as Catalysts

The National Credit Regulator (NCR, 2011) describes the role of South African SMMEs as job creation, economic empowerment, and poverty alleviation. In policies to promote economic growth, particularly in developing economies like South Africa, SMMEs are given prominence

because of their labour absorptive capability and thus their ability to alleviate destitution (Ndabeni, 2008).

Kerimova (2008) states that in order to build a real entrepreneurship culture, policy needs to effectively consider how to support and develop an entrepreneurial mind-set that encourages innovation, and sustainability. Kuratko and Hodgetts (2007) describe entrepreneurship as a process, vision, change, and creation which requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. This include the willingness to take calculated risks in terms of time, equity or career, the ability to formulate an effective venture team, the creative skill of building a solid business plan and the vision to recognise opportunity where others see chaos, contradiction, and confusion. It is this contemporary concept that renders entrepreneurship interdisciplinary. Mahadea and Pillay (2008), for example, revealed that a shift from poverty to wealth in most countries was obtained through strategic partnerships between the private sector, and collaboration from farmers, large businesses and investors.

2.4.1 Opportunity versus Necessity Entrepreneurs

People pursuing an entrepreneurial opportunity are referred to as opportunity entrepreneurs while those who are involved in an entrepreneurial effort because they have no other choice of work are termed necessity entrepreneurs (Maas & Herrington, 2007). According to the Global Entrepreneurship Monitor (GEM) (Maas & Herrington, 2007), about 74% of all entrepreneurs in developed countries are opportunity entrepreneurs and 26% are necessity entrepreneurs. The figure for developing countries has a far higher percentage of necessity entrepreneurs, with a split of 63% opportunity entrepreneurs and 37% necessity entrepreneurs. In South Africa, the figures are 58% opportunity and 42% necessity entrepreneurs (Maas & Herrington, 2007). The GEM report further argues that opportunity entrepreneurs generate more income than necessity entrepreneurs and play a more critical role in job creation and economic growth.

2.4.2 Personal Characteristics of Entrepreneurs

The ability to start up or grow a business depends inherently on individual (internal) as well as external factors (Tengeh, 2013). Without a strong entrepreneurial drive and resilience, one would expect limited or no entrepreneurial activities in volatile or precarious business environments. Given that each business opportunity tends to be unique, there is no single set of attributes that every entrepreneur must have to explore them. Perhaps a combination of

attributes is required that takes into consideration the uniqueness of the opportunity and the founder's strengths and weaknesses (Rwigema & Venter, 2004).

In spite of the perceived differences in the requisite characteristics, there is agreement that prosperous entrepreneurs are shaped by a set of character traits. Barringer and Ireland (2012) identified the four major characteristics of successful entrepreneurs as a passion for business, execution, intelligence and perseverance in spite of failure. Given the additional challenges of operating in a volatile environment, Rwigema and Venter (2004) add commitment, self-reliance and tenacity to the list. One may argue that an entrepreneur operating in a volatile environment must have a high degree of risk-taking attributes as well as be very patient and prudent in their business dealings in order to survive in such an environment. Furthermore, as De Vries (1977) advances, both external and internal attitudes towards entrepreneurial failure become the factors that contribute to the willingness of entrepreneurs to start or pursue their entrepreneurial ambitions in the face of challenges and adversity.

The next section discusses briefly the value of entrepreneurship in South Africa.

2.5 The Value of Entrepreneurship Policy in South Africa

Herrington (2008) asserts that: "Entrepreneurship is different from a conventional business because the latter focuses mainly on maintaining a fixed quality of life whereas entrepreneurship is a risky enterprise and calls for the ability to work with ambiguity."

From this the conclusion can be drawn that the focal point of the conventional business owner and the entrepreneur is different. The conventional business owner's centre of attention is on personal goals and stability, whereas the entrepreneur strives to be innovative and is motivated to achieve. If these differences are acknowledged, it signals the need for different approaches to promote and develop entrepreneurship and conventional business.

SMMEs as well as established businesses are not exposed to the same amount of attention and support (SEDA, 2012). It is individuals who are involved and create new businesses and develop existing ones. Lundstrom and Stevenson (2001) and Tsai and Kuo (2011) are in agreement that the right environment and circumstances need to be created to motivate and stimulate individuals to become entrepreneurs. Individuals have to be enabled to acquire the

appropriate skills and learning opportunities and be surrounded with opportunity-driven support.

From a policy perspective, Ligthelm (2013) contends that entrepreneurial actions are particularly relevant at the pre-start-up stage which requires substantial detail to matters such as entrepreneurship promotion and education. However, Herrington (2008) and Luiz and Mariotti (2011) propose that entrepreneurship should be contemplated from different angles, which calls for a more holistic approach to entrepreneurship and policy.

Nieman (2006) mention that small businesses are established for the prime reason of advancing personal goals and ensuring security. Therefore, the focus is on achieving stability in terms of sales, profits and growth with inflation. The tendency is to settle down once the business is established. Innovations are either limited or non-existent. The business is not customer-oriented or even aiming to increase customer value. Strategic objectives are not considered, implying that the business is not future-oriented. All of these may lead to a business remaining small, not being dominant and merely maintaining the status quo. Most policy makers and academics agree that entrepreneurship is critical to the development and well-being of society.

Entrepreneurs create jobs, they drive and shape innovation, and speed up structural changes in the economy. By introducing new competition, they contribute indirectly to productivity. Entrepreneurship is thus a catalyst for economic growth and national competitiveness (Kelley, Bosma & Amoros, 2011).

Given South Africa's very high unemployment rate (Hazelhurst, 2013; Statistics South Africa, 2013), policies and schemes need to be improved so that an increasing number of individuals can pursue entrepreneurship as a positive employment choice. Currently, there are not enough entrepreneurs who are willing to start businesses, take risks and build enterprises that create jobs (Simrie, Herrington, Kew, & Turton, 2012).

Government's major challenge is to become more effective and efficient. Monitoring and evaluation processes can assist the public sector in evaluating its performance and identifying the factors which contribute to its service delivery outcomes (The Presidency, 2007). Public policy and monitoring and evaluation have become important areas of study in most developing countries, including South Africa (Ile, Eresia-Eke & Allen-Ile, 2012). Even the best developed

policies can, and do, fail if they are not closely monitored and appropriately evaluated. This is where the value of public policy monitoring and evaluation lies (Ile et al., 2012).

Masote (2012) reports that government is working hard to ensure a more coherent approach to small business development and a move away from stand-alone programmes. The GEM 2011 reports (Simrie et al., 2012) noted that, despite much criticism that has been lobbied at government programmes aimed to provide entrepreneurship development and support, some government initiatives have been successful (with particular reference to initiatives such as the National Empowerment Fund and the Industrial Development Corporation). The existence of business support (such as SEDA) has also achieved marginal returns on their efforts (Peters & Naicker, 2013).

Herrington et al. (2010) argue that small business advisory services and government institutions serving start-up and established businesses should be evaluated on actual performance. There is a difference between preparing a business plan, registering a business, and the actual start-up of the business. Actual performance should be measured not by the number of business plans that have been funded, but the number of business plans that have been translated into a business that is able to operate for more than three months. It is imperative that the actual business is rewarded, and not the processes leading to business activity. However, these pre-start-up processes are critical to entrepreneurs' foundation. Government should build a long-term relationship with committed entrepreneurs from the pre-start-up until the post-start-up phases of a business venture life cycle (Turton & Herrington, 2013).

Nevertheless, according to Ryan (2012) and Themba (2012) only a small number of business owners felt that government was doing enough to foster SMME development, entrepreneurship, innovation, and job creation. Policies have either done too little or not much at all to create effective support agencies which result in business start-ups and growing businesses (Timm, 2011). Awareness of many government support schemes remains low. It is not clear what impact SEDA is having in the small business landscape. In addition, it is not known how effective their initiatives and programmes are (Delonno, 2010). Both business owners and government officials view government's support architecture as inept and perplexed (Terbalanche, 2011). The public sector is still facing enormous challenges in their efforts to support the small business sector effectively.

While there are many government agencies and programmes aimed at supporting entrepreneurship, there appears to be doubt as to the quality and efficacy of these interventions (Herrington et al., 2010; Simrie et al., 2012; Peters & Naicker, 2013). Lerner (2009) states that the frequent failures among government initiatives to stimulate entrepreneurship and venture capital suggest that many pitfalls continue to hamper these efforts. The stark truth is that many more initiatives have been unsuccessful than successful. Many government entrepreneurship programmes are not effective in developing entrepreneurs and contributing to the growth of entrepreneurship.

Bukula (2008) and Mason and Brown (2013) state that “tweaking policy interventions here and there are not sufficient”. Something new, consistent and long-lasting is required. Davie (2012) agrees that many interventions in the economy over the past decade have been costly. These interventions have not achieved the promised positive results and have interfered with the efficient management of small businesses. South Africa needs a programme of action to increase its economic freedom. The country is still falling short of being in the top ranks for ease of doing business.

Building an entrepreneurial sector is a long-term endeavour, not an overnight accomplishment. Programmes that have initial promise should be given time to prove their merits. Prior research has indicated that the skills and techniques of minorities need more development in order to achieve greater levels of future success (Lerner, 2009; Gibson, Walker & Harris, 2010). South Africa’s policies need to cater for minority groups such as young people, the disabled, women and African blacks (Turton & Herrington, 2013). In order to achieve a vibrant entrepreneurial society in South Africa, there is a need to increase the proportion of people who have confidence in the skill, knowledge and experience in starting and managing new enterprises to achieve business growth and economic sustainability (Diale, 2009).

There is an opposing argument that defies the relevance of government policies. Individuals decide themselves whether or not to become entrepreneurs, irrespective of government efforts. The belief is that there is little that any government can do to increase the number of entrepreneurs. Others argue that entrepreneurs are central factors of the free market system; the best that any government can do is not to be an obstruction. Serious students of the subject readily admit, however, that government actions can support or suppress entrepreneurship (Minniti, 2008).

2.6 Economic Policies that support SMMEs

Through policy the government is able to provide an enabling environment for entrepreneurs. Policy experts need to pay close attention to the uncertainty pertaining about the best target for growing the country's economy. Policymakers need to be able to take accountability for the effects that the policies adopted will have on the public's expectations pertaining to the future. A large country does not have the choice of not having a macroeconomic policy in place. The national government is not always sure about what the reaction within the economy will be after the adoption of a new policy (Dornbusch, Fischer & Startz, 2004).

Anon (2007) argues that there are economic policies that the government has implemented to help SMMEs to become established and to be competitive locally and internationally.

- **BEE** (Black Economic Empowerment) is a national strategy that was implemented by the national government to help increase black participation in the mainstream economy. The aim behind BEE is to provide opportunities for black people since they were previously excluded from participating freely in the mainstream economy in South Africa. It also aims to redress past imbalances through ownership, management and control over companies and resources. The only downfall of this government initiative is that it has benefited only a few individuals. For BEE to be effective, there needs to be an overhaul and review of the policy as there are abuses in the system.
- **ASGISA** (Accelerated and Shared Growth Initiative for South Africa) is a government initiative created to increase job opportunities and to help address poverty and inequality. ASGISA's stated aim was to achieve an annual growth increase of 4.5% and higher between 2005 and 2009, and an average growth of 6% of GDP between 2010 and 2014. In order for this initiative to be effective, there needs to be a review of the regulatory environment as this poses a serious threat to the development of small businesses.
- The **Fiscal Policy** forms part of the National Treasury mandate, and is geared towards providing for the development of SMMEs. This policy recognises that SMMEs are an important vehicle for employment creation in the South African economy.

- **GEAR** (Growth, Employment and Redistribution) is a macro economic strategy that was adopted in June 1996 by the Department of Finance. The aim behind this strategy is to tackle issues pertaining to economic development, increasing employment, and redistribution of income and socio economic opportunities geared towards the poor.

The objectives of the National Small Business Strategy are to:

- Improve the kind of information and advisory services that is currently available at each level of SMME's growth;
- Offer an improved quality of services to small businesses;
- Satisfy the critical needs of individuals operating at different levels of enterprises, at local and national level.

According to Gumede (2008), government has provided extensive awareness on the importance of SMMEs. Such awareness has received a lot of support in several studies on the performance of the South African economy commissioned by government in the recent past.

In addition, there are various pieces of legislation and policy documents in support of SMMEs, which include the following:

- The Constitution of South Africa 1996;
- The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (South Africa. DTI, 1995);
- Integrated Small Business Development Strategy in South Africa 2004-2014; and
- The National Small Business Act no102, 1996 (Malefane, 2013).

2.7 Department of Trade and Industry

The Department of Trade and Industry (also known as the DTI) is the department of the South African government responsible for commercial policy and industrial policy. The DTI is involved in promoting economic development, BEE, implementing commercial law (including companies' law and intellectual property law), promoting and regulating international trade, and consumer protection (South Africa. DTI, 1995).

According to DTI estimations, SMMEs employ almost half of all formally employed individuals, and they contribute between 52% and 57% to the country's GDP and provide about 61% of job creation (NCR, 2011). The Broad-Based Black Economic Empowerment Act (BBBEE) No. 53 of 2003 is a tool used by the African National Congress (ANC) government to redress the past exclusion of the majority of South Africans (South Africa. DTI, 2003). This is in line with section 9(2) of the South African Constitution, which suggests that for South Africa to reach a point of racial equality, judicial and other measures designed to protect or to develop individuals who were previously deprived by the apartheid government may be taken (South African Constitution, 1996).

The DTI strategy document classifies direct empowerment as a move towards enabling black individuals to have economic ownership and control and ensure that they can contribute fully to decision making at board level, at senior executive level and operational levels. The indirect empowerment of black people through the special treatment by government, as well as by the private sector, is intended to promote new enterprises. Such empowerment measures, however, could also offer SMMEs the prospect of expanding their operations. The BBBEE act has an enterprise development component, which can only be accomplished by investing heavily in SMMEs run by black people, and through forming joint ventures with black-owned businesses that are likely to offer opportunities for transmitting skills (South Africa. DTI, n.d.:13).

Mago and Toro (2013) state that the South African government has established a number of SMME-supportive institutions that provide for micro entrepreneurship initiatives. Furthermore, the DTI introduced the Centre for Small Business Protection (CSBP) so as to find ways to assist SMMEs, particularly in townships. This Centre has provided a platform for government's objectives to be transformed into action.

Despite the fact that there are such policies in place and institutions that provide an enabling environment to assist SMMEs, not enough is being done to assist SMMEs. The long-established institutions are relatively unknown to the operators of SMMEs in Khayelitsha. The researcher is of the view that there is not a strong relationship between government and SMME owners, and serious disjoints between policy and deliverable outcomes are becoming evident at national, provisional and local levels. It is clear that although some of the economic policies (for example, BEE, ASGISA and GEAR) were sound, implementation has been seriously flawed on numerous levels as their mandates were not achieved (Nieman, 2013).

There are numerous internal and external factors that contribute to the failure of SMMEs. Mudavanhu (2011) points out that there are various reasons why small businesses fail. Pinhold (2008) argues that one of the primary reasons why SMMEs fail is their abnormal rate of creation. SMMEs are established at a rate which is far higher than is acceptable by the economy. Individuals who have complicated drives for starting a business and achieving a financial return is but one of them. Over-optimism usually drives the process, causing business founders to overrate the returns and underrate the risks involved.

Maas and Herrington (2006) show that the main reasons for the closure of SMMEs are personal and financial, and include a lack of customers, too much competition, found another job, retirement, and other causes. Mbonyane (2006) observes that the most common reasons for the failure of businesses in South Africa are the absence of knowledge about legal matters, a general lack of business acumen, and funding.

Business Magazine (2014) highlights that the reason why people start businesses is to make money, but they are not properly equipped with the knowledge required to manage the cash flowing inside and outside the business. Failure to plan correctly and to manage budgets simply results in mistakes and business failure (Business Magazine, 2014).

2.8 Remedial Actions to avoid the failure of SMMEs

According to Timm (2011), the 1995 South African White Paper defined, amongst other things, the necessity for administration to produce an allowing legal structure, enabling access to advice and information, enhancing procurement from small businesses, and improving access to finance and reasonable infrastructure.

On the other hand, SMMEs are weighed down by the same heavy regulatory burdens as their bigger counterparts. An environment promoting SMMEs requires that regulations are sensible and easily understood, and relates to their influence on business performance within which they are managed competently. The regulatory environment of South Africa has been an issue of concern over the years (SBP Alert, 2013).

On the other hand, the 1994 RDP White Paper pledged positive adjustments to the regulatory and legislative conditions for SMME growth. This has not yet happened, and a couple of years

ago, Minister Gordhan labelled South Africa's initiatives to support SMMEs as "pathetic". This is illustrated by the SMME Growth Index which indicates that SMMEs spend 4% of their turnover on compliance costs (SBP Alert, 2013).

Moneyweb (2013) points out that all of the government measures that have been put into place to support SMMEs in South Africa are deemed completely ineffective and to date they have changed nothing. The agencies which support SMMEs must be managed by business experts, and diverse structures of support are required for the different life stages of small businesses. Currently, too much money, focus and effort are expended on micro enterprises that do not generate huge revenues and employment prospects (Moneyweb, 2013). Mahlaka (2014) adds that SMMEs experienced a better year in 2013, and employment is promising. This is the reason why SMMEs hire people; in order to facilitate growth.

Even the best developed policies can and do fail, without attaining their desired outcomes. Many countries have developed small business policies directed at supporting and creating a favourable environment for cultivating small business and entrepreneurship. According to Mason and Brown (2013), policy makers need to customise and shape policy properly to the specificities of their own distinctive economic, small business and entrepreneurial context. The existence of entrepreneurship policies in developing nations continues to be rare despite the belief that entrepreneurship can spur economic growth and employment.

The mere existence of good policies, however, does not result automatically in successful implementation. Problems with policies lie in the implementation thereof which can result in a policy gap (Brynard, 2007). In addition to this, policies are sometimes set to achieve ambitious targets which ultimately fall short of their desired outcomes. This could be due to a lack of reliable data which often hampers policy makers' ability to devise clear policy goals with well-defined implementation plans and evaluation mechanisms. The smooth transition from policy to practice will always remain a challenge. The concern is the extent of the gap between policy and practice. Furthermore, a policy cannot be formulated without a thorough understanding of the influence of the environment on policy implementation (Brynard, 2007).

Amongst the outcomes of small business and entrepreneurship are job creation, economic growth and general prosperity. At present the small business sector in South Africa has not absorbed as much labour as it should have (The World Bank Group, 2010b; Themba, 2012;

Peyper, 2012). Consequently, one of the priorities of government has been to change the environment in which SMMEs operate. For this reason, a small business policy was developed to support small businesses and entrepreneurship. Research provides information to guide government policy and strategy relating to small business and entrepreneurship. Stimulating entrepreneurship and providing appropriate and effective support requires considerable reform, which must start at the highest levels of government (Herrington, 2013).

In summary, nothing is significantly changing in the small business landscape in South Africa. It does not have enough start-ups or enough start-ups that are growing and surviving. It is of grave concern that 63% of micro-enterprises indicated that their ideas for business turned into good opportunities but there remain many reasons why these businesses do not survive. People see something and get enthusiastic about the opportunities, but they do not always possess the necessary skills to run a business. They do not do the necessary research and eventually they run out of cash and cannot freely access the market. In some circumstances SMMEs do not even know what their turnover is (Moneyweb, 2012).

2.9 Real Policy Trade-offs

Diale (2009) contends that while government's efforts to achieve a vibrant SMME society and activity in South Africa thus far must be applauded, it will be a long-drawn struggle that will take time to achieve. It will also have to increase the proportion of people who have confidence in their skill, knowledge, and experience in starting and managing new businesses to achieve business growth and economic sustainability. Uncertainty about government policy and the regulatory environment should be removed since it has a negative impact on the cost and ease of doing business (Peyper, 2012).

In promoting the small business sector, government effectively faces a trade-off between growth and employment, since not all start-up and established businesses will result in innovation. Thus, policy formulation should focus on supporting and fostering an entrepreneurial mindset, which will contribute to innovation and create businesses with a greater probability of survival, with employment becoming a positive consequence rather than a direct goal (Kerimova, 2008).

2.10 Financial Support for SMMEs

2.10.1 National Credit Act, No. 34 of 2005

The National Credit Act (NCA) became effective in 2006, with the aim of advancing the social and economic welfare of South Africans by promoting a sustainable, fair and non-discriminatory marketplace for access to consumer credit by all South Africans, particularly to those who were previously unable to access credit. The facilitation of access to credit eases some of the barriers for small enterprise. The NCA (2011) positively states that the NCA serves to address the funding issues facing small enterprises.

Malefane (2013), however, argues that the relevant government support institutions (for example, SEDA and other support agencies) are not easily available in the communities where there is high demand for these services. These support institutions are positioned either at a national, or at a provincial level, and not in local municipalities, therefore rendering them often inaccessible to businesses in black townships. This can be further attributed to a lack of recognition of the scale and intensity of support required by small and emerging businesses, which results in resources being devoted to projects that are insufficient to ensure success. Efforts should be made through the agency to encourage large companies to mentor small firms and bring them into their supply chains. The gap in SMME support programmes may not lie so much in the non-availability of such programmes, but rather how the available schemes are managed and administered. There is need to minimise the levels of bureaucracy embedded in the programmes. Administration needs to be streamlined, turnaround times improved, and staff employed with an appreciation of what is involved in running a business. There are a number of support structures which provide assistance to SMMEs. An overview of these is provided in the next section.

2.10.2 The Small Enterprise Development Agency

The Small Enterprise Development Agency (SEDA) is the South African government agency which was introduced in December 2004, in alignment with the National Business Amendment Act, No. 26 of 2003. This law merged three entities, namely the small enterprise development agencies (also known as Ntsika Promotion Agency, the National Co-ordinating Office for Manufacturing Advisory Centres Trust [NAMAC], and the Community Public Private Partnership [CPPP]), into a single small enterprise support agency. The objective of SEDA is to design and implement a standardised national delivery network. Its function is to support and encourage business cooperation, especially in economically deprived communities.

SEDA's work is aligned to the DTI's Integrated Small Enterprise Development Strategy, which focuses on strengthening SMMEs' access to funding and credit. SEDA provides a range of services, which include assisting in developing business plans, business registration, access to domestic and global markets, co-operative support and access to opportunities for technology and training (SEDA, 2010).

2.10.3 Industrial Development Corporation

The Industrial Development Corporation (IDC) is state-owned and funds development finance initiatives. It extends funding to entrepreneurs and business ventures that participate in competitive industries. It was formulated in 1940, with the sole purpose of stimulating economic growth and industrial development in South Africa. It provides finance and support to existing and emerging businesses in order to benefit the South African economy through employment creation, poverty alleviation and economic growth. Its scope transcends the African continent, where it presently operates in a wide range of sectors, and is equipped with specialised skills and knowledge. The IDC considers itself as fit to provide valid and appropriate financial support services to a broad spectrum of individuals and companies (IDC, 2010).

2.10.4 Khula Enterprise Finance Limited

Khula Enterprise Finance Limited is a government agency responsible for the growth and sustainability of SMMEs in South Africa. It has been in existence since 2001 and is involved in growing SMMEs in the South African industry. Khula offers finance, mentorship and credit to SMMEs (Khula, 2009).

2.10.5 National Youth Development Agency (NYDA)

The National Youth Development Agency (NYDA) was established in 2001. Its mandate is to promote entrepreneurship, create employment and to advance developmental skills amongst South African youth aged between 18 and 35 years and women-owned enterprises irrespective of age. NYDA offers funding and micro loan services (NYDA, 2010).

According to Orford and Wood (2006) the institutions described in sections 2.7.1 to 2.7.5 above have failed, in part or fully, for the following reasons:

- Inadequate awareness made to ordinary people regarding the programmes offered by these institutions;
- Uneven delivery of services, since the focus of these institutions is more on metropolitan areas;
- Daunting administration requirements that are associated with government programmes, which sometimes result in high levels of disappointments; and
- Insufficient capacity by government institutions, which results in poor services offered by local business services centres (LSBCs) on the programmes.

The ineffectiveness and inefficiency of these government institutions has been an impediment to the growth of SMMEs. Rogerson (2008) states that in order to assist small enterprises to navigate regulation governing small businesses, Business Development Service Centres (BDSC) and Local Economic Development Programmes have been established (outlined in the following two sections).

2.11 Non-financial Support for SMMEs

2.11.1 Business Development Service Centres

According to Burgess (2000) and Gibb (1997), BDSCs are defined as “...public and privately funded organisations that provide advice and support for small and medium sized enterprise”. BDSCs can be grouped into three divisions: private sector suppliers, business associations and public service providers (Mazwai, 2009).

The 1995 White Paper provided for the development of a decentralised network of local services centres across the country to provide support for the systematic spread of SMME related information, advice, and services for small businesses (South Africa. DTI, 1995).

The national government has introduced provincial help desk platforms to increase its presence in each province, and to ensure that the national strategy objectives are implemented effectively. The purpose of the help desks is to provide a platform for local or regional bodies to link effectively with the national sector programmes. The volume of calls that each help desk can accommodate differs in each province; for instance, Mpumalanga’s help desk has developed a broad SMME database, and a synergistic network of SMME service providers, whilst the help desk in the North West has not carried out such activities (Berry et al., 2012).

Local business services centres have been tasked with facilitating the delivery of efficient and better quality, non-financial support services to small businesses across the country. They also provide advisory services that include the formulation and drafting of business plans and developing information brochures relevant to SMMEs, (Xuza, 2007).

The aim of LBSCs is to provide assistance to a range of SMMEs, including survivalist hawkers and spaza shops. These LBSCs have been instrumental in sharing skills and empowering communities to decide about their socio-economic destiny (Xuza, 2007).

The literature suggests that ‘one-stop shops’ are required, where SMMEs can either conclude all the transactions required for setting up a business, or complete the documents required for the registration of a new enterprise (Bayalin & Bayalin, 2013).

2.11.2 Business Corners

In the Western Cape, business corners have been established in most public libraries. The aim is to ensure information is easily available to entrepreneurs and businesses operating within the townships. They provide a broad range of information and resources including books and brochures, as well as designated areas for SMMEs to display business cards and other marketing materials. The performance of the business corners has been particularly poor. There are a number of reasons for this. Berry et al. (2002) suggest that the institution overestimated its capacity as well as the capacity of the LBSCs. There is no doubt that funding constraints also played a major role. The business corners also tended to service a wide range of businesses and were generally unable to mobilise the necessary expertise to provide more than a generic service to these businesses (Orford & Wood, 2005).

The next topic discussed is the challenges facing SMMEs.

2.12 Challenges faced by South African SMMEs

2.12.1 Access to Finance

Access to funding, plus the cost of funding, appear to be the most critical constraints for SMME development and success in South Africa, as well as in other sub-Saharan countries (Mahadea & Pillay, 2008).

Studies by Van Eeden (2004), Mutezo (2005) and Torre (2006) have identified a range of factors relating to access to finance for SMMEs. These include strict lending criteria by financial institutions, a lack of entrepreneurial skills within financial institutions, information asymmetry, a lack of collateral and own capital contribution by SMMEs, a lack of management and business skills, a lack of investment readiness and poorly developed business plans, a lack of access to and awareness of business information, a lack of mentoring and assistance and a lack of government support.

The studies above reveal six common factors regarding access to funding for SMMEs. In order to better understand access to funding for SMMEs, a detailed understanding of the cause-effect relationship of these factors is required.

2.12.2. Information Asymmetry

Nigrinia and Schoombee (2014) define the term ‘information asymmetry’ as a situation in which prospective financiers are partially informed about, and in many instances unaware of, the prospects of a business venture and opportunity. This may make it difficult for financiers and lenders to accurately assess the quality of the business and investment propositions. In addition, finance providers will as a result be unable to quantify the level of risk involved in a particular business venture and therefore may find difficulties in offering a discount or interest rate that accurately reflects the level of risk involved (HM Treasury, 2013).

Abereijo and Fayomi (2005), Malhotra (2006), Beck, (2007), Ganbold (2008) and Torre (2008) all conclude that information asymmetry, which is mainly caused by inadequate access to SMME information by credit bureaus, a lack of audited financial statements and poor accounting records, poses a serious constraint on SMMEs and diminishes their chances of accessing finance. “Information asymmetry gives rise to factors such as high transaction costs [due to information gathering, screening and monitoring], excessive collateral requirements and higher risk premiums, all of which exacerbate SME access to finance” (Beck & Demirgo-Kunt, 2006).

The findings of studies investigating SMME development and challenges in South Africa are consistent with the findings of these studies in that they also reveal that information asymmetry is a major problem in SMMEs’ accessing funding. Porteous (2004) reports that even though there is evidence that shows commitment to sharing information about the SMME’s

performance with reputable credit bureaus and other South African credit authorities, a lack of credible and easily available information is still identified as a major drawback to SMME's receiving funding (Porteous, in Angela Motsa & Associates, 2009).

The credit reporting system in South Africa, although well developed and advanced, is restricted to the first economy (Turner, Varghese, & Walker, 2008). A rapidly expanding literature on SMME finance (Beck & Demirg-Kunt, 2006; OECD, 2006; Beck, 2007; Abereijo & Fayomi, 2005; Turner et al., 2008) suggests that a well-structured credit information-sharing infrastructure and a rigorous practice of credit reporting would improve the chances of SMMEs accessing funding.

2.12.3 Lack of Collateral and own Capital Contribution

Financial institutions use different criteria when considering funding applications by SMMEs. These include looking at the business owner's track record, monitoring the business's bank account, assessing the entrepreneurial track record, and the owner's willingness to invest his/her own money and proof of re-payment capability, which is normally informed by the merits of the business or investment proposition (HM Treasury, 2013). However, due to information asymmetries, SMMEs are normally disadvantaged by these criteria as they increase the transaction costs of obtaining funding. The major problem encountered by SMME owners is that they are often required to provide adequate collateral in order to secure funding and to prove their ability to make repayments (Tagoe, Nyarko & Anuwa-Amarh, 2005).

When borrowers have adequate collateral, this does not only indicate their creditworthiness and viability of the business, but also serves as a risk mitigating tool for the lender (OECD, 2006). The borrower is usually required to provide collateral to ensure that they can bear some risk of loss if they become insolvent or are unable to meet their financial obligation. This then provides the lender with some security due to the availability of the repayment (Nigrini & Schoombee, 2014).

The collateral requirement creates challenges for small businesses that often lack suitable assets to offer. This is the key reason for denial of SMME loan applications (OECD, 2006). The findings of similar studies conducted by Beck (2007), Tagoe et al. (2005) and Abereijo and Fayomi (2005) show that the lack of collateral is a universal phenomenon preventing SMMEs' access to funding. The same results have been found in relation to South African SMMEs by

Angela Motsa and Associates (2004), Van Eeden, Rakhudu, Sharp, & Viviers (2004) and Clover and Darroch (2005). Equally so, Pretorius and Shaw (2004) found that while commercial banks in South Africa placed significant emphasis on the importance of a bankable business plan, the decision to grant a loan was based entirely on the borrower's creditworthiness and ability to provide collateral.

The findings of more recent studies (A-Cubed Consulting, 2014; Rogerson, 2013) have not only been consistent with these findings but have reiterated that commercial banks in South Africa do not show an appetite for risk and are not forward looking. This poses serious challenges for small business as their applications are often rejected on the basis of insufficient collateral, regardless of the business's financial viability or potential to succeed (Pretorius & Shaw, 2004).

The typical SMME lending environment thus favours borrowers with collateral rather than those with viable business projects. In response to this constraint, governments around the world have resorted to providing credit guarantees in order to facilitate and enhance access to finance by SMMEs (Wattanapruittipaisan, 2013).

While there are differences of opinions as to the operational effectiveness of credit guarantee schemes, several studies (Nigrini & Schoombbee, 2014; Wattanapruittipaisan, 2013; OECD, 2006) reveal that government credit guarantee schemes are an important policy measure as they improve access to finance for SMMEs.

2.12.4 Lack of Investment Readiness and Quality Business Plans

It is important for SMMEs to have well-articulated business plans that are financially viable as this will enhance their chances of securing funding (Pretorius & Shaw, 2004). The primary reason for having a business plan is to help articulate the realisation of the potential opportunity of a business venture as well as its requirements, merits, potential rewards, and the risks associated with the business opportunity. Even though a number of lenders highlight the importance of creditworthiness and the owner's ability to provide collateral, the business plan is still used by most financial institutions in order to conduct due diligence, which allows them to determine the business viability as well as the various risks of the business (Timmons & Spinelli, 2009).

HM Treasury (2013), OECD (2006), Torre et al. (2008) and Abereijo and Fayomi (2005) revealed that there is often a disparity between small businesses that complain of not having access to funding, and financial institutions who simultaneously complain of having a shortage of businesses that have adequate business plans.

In South Africa, the primary reason that SMMEs find it difficult to access funding is due to their inability to provide business plans that meet the requirements of financial institutions (Maas & Herrington, 2007). Another reason that contributes to the rejection of most business plans submitted for funding is that they have been prepared by business consultants rather than business owners. Most financial institutions disapprove of such practices for obvious reasons, and this can result in a negative outcome on the funding application (Pretorius & Shaw, 2004).

South African SMMEs do not have adequate entrepreneurial skills, suitable management skills and the right business acumen. This weighs negatively on their funding as it increases the risk perceptions of lenders. Even though there is evidence to show that SMMEs are constrained by a lack of access to funding, the supply of funding is also hampered by business plans that are not well articulated and in some cases do not meet the requirements and standards prescribed by lenders (Malhotra et al., 2006; Orford & Wood, 2005).

2.12.5 Lack of Access to and Awareness of Business Information

Business information is defined as the packaging of raw data into a format that is easily articulated to enable the end user to make an informed decision involving a business need (Thomas & Ballard, in Chiware, 2008). Most SMMEs lack access to and awareness of business information which hampers their growth and development (Chiware, 2008). In addition, SMMEs are also discouraged by the cumbersome procedures involved in obtaining the relevant information (UNIDO, 2003). Research by the OECD (2006) found that poor information about the different financing options constitutes a challenge to funding for most developing economies.

The Department of Trade and Industry's (South Africa. DTI, 2005) strategy is geared towards promoting an entrepreneurial culture in economically deprived communities. Its three pillars focus on: increasing the supply of financial and non-financial support services, creating demand for SMME products, and addressing the regulatory constraints encountered by SMMEs.

In South Africa both developing and well-developed SMMEs are generally unaware of the existence of SMME support initiatives, especially the Khula credit guarantee scheme (Berry et al., 2002). Many female entrepreneurs, in particular, have a poor understanding of financial terminology and lack awareness of different financial products and credit processes (Rogerson, 2008), and SMMEs in the agribusiness sector in Kwazulu-Natal lacked an understanding of loan application procedures (Clover & Darroch, 2005).

2.12.6 Inefficient Institutional Support Environment

Government policies are instrumental in enhancing entrepreneurial activities as they establish the platform upon which new businesses can be started and sustained. On the other hand, the Global Entrepreneurship Monitor (GEM) (2014) South Africa report and the WEF 2014/2015 Global Competitiveness Report listed government bureaucracy as one of the major obstacles to entrepreneurial and business activity in South Africa. Delays in the time required to obtain permits and licences was one of the factors mentioned in the WEF report. The report also highlighted that there was red tape associated with starting up and managing a business.

The impact of these strategies has, however, been questioned by researchers, policy analysts and stakeholders alike (Angela Motsa & Associates, 2004; Clover & Darroch, 2005). Berry (2015) argues that in addressing the challenges faced by South African SMMEs, originally well-intended and supportive economic policies such as BEE and ASGISA suffer from sub-optimal implementation. In supporting this argument, Berry (2015) discovered that the SMME institutional support in South Africa is characterised by poor information distribution and outreach, interventions that are not informed by or targeted to the actual needs and requirements of SMMEs, and high levels of bureaucracy and red tape.

In line with this, the 2014 GEM reported that a national survey of small enterprises conducted in 2014 provides, for the first time, overwhelming confirmation that the South African government is failing to reach most small enterprises. According to the survey, small enterprises are either unaware of or do not use the services offered by government. Where they do use government support, small enterprises are sceptical about the quality of the support received (Mass & Herrington, 2004). The 2014 GEM once again revealed that government support for entrepreneurs is perceived as underdeveloped (Maas & Herrington, 2014).

The findings of the 2014 and 2016 GEM are consistent with that of a 2016 World Bank report prepared for the DTI. The report was critical of government programmes such as the Khula credit guarantee scheme and Small Medium Enterprise Development Programme (SMEDP) incentive, and revealed that businesses expressed concern about accessibility and bureaucracy pertaining to entrepreneurial support (World Bank, 2016).

2.13 High Crime Levels

According to Ikejiaku (2009), the rate of crime in South Africa (particularly in townships) rose after the new democratic constitution was implemented in 1994. A study conducted by the Small Business Project revealed that SMMEs in South African townships have shared concerns about the adverse impact crime has on their businesses and on their personal safety (SBP, 2008). The study further revealed that two-thirds of SMMEs did not anticipate any decline in crime levels in the near future. SMMEs were particularly concerned about instances when their property was taken unlawfully by thieves or violence or intimidation were used against them. A direct link seems to exist between SMME development and crime, this affects both the growth and economic development of SMMEs. This poses a major threat to businesses operating in townships as they have to seek ways to create an environment that is conducive to conducting their business activities (Ikejiaku, 2009).

Most businesses located in townships fall victim to criminal activity. This has an adverse impact on their sustainability and profits. It causes them to lose clients, which leads to decreases in sales. It often leads to increased staff absenteeism, which in turn results in additional costs for employing temporary staff (SBP, 2008). The South African Police Services (SAPS) and senior state officials have argued that the perception of high crime levels and the fear of crime are overstated, and that police statistics refute these perceptions. Many researchers disagree with this view, since there are many reports that confirm that the incidence of crime is high and affects both society and the business sector negatively. Studies indicate that the police force do not respond proactively to crime, even though the statistics reveal that the rate of crime is escalating (SBP, 2008). More needs to be done, as crime, including substance abuse, is currently crippling the communities concerned.

2.14 Lack of Business Skills

It is crucial that SMME owners receive sufficient training in business skills so that they fare better when facing the daily challenges of their businesses. SMMEs need to be able to

understand new technologies in order to compete effectively in the global economy. Studies have indicated that a poor understanding of basic business skills may have a negative impact on small businesses especially pertaining to issues of productivity, supplier price, business negotiations and payroll systems and management ((Van Vuuren & Groenewald, 2007).

According to a study conducted by Kerimova (2008), formal schooling should be extended beyond skills training to ensure that individuals are better equipped when faced with complex situations. Kerimova (2008) also suggested that education about SMMEs should be introduced at grassroots level, and incorporated into the primary school curriculum so as to facilitate the nurturing and the grooming of young individuals who aspire to pursue entrepreneurial ventures. The study further reiterated that there needs to be shift towards entrepreneurship education which is relevant to the demands of industry.

Isaacs (2007) revealed that there seems to be a correlation between education and business creation in South Africa. Isaacs (2007) also suggests that business education should be introduced at primary schooling level as a means of equipping students with a broad understanding of the business environment and the manner in which businesses operate.

In South Africa, low education levels in many survivalist enterprises make it difficult for their owners to complete funding application forms since they battle to understand some of the business terminology used. Tlhomola (2010) states that the level of education of the entrepreneur significantly affects the growth of an enterprise, and it can enhance the ability of entrepreneurs to solve problems related to the business.

2.15 Lack of Infrastructure

The Integrated Small Business Development Strategy in South Africa 2004-2014 (South Africa. DTI, 2003) asserts that since 1994 significant restructuring of public assets and the private sector has occurred. The result has been an increase in the size and extent of private sector activities, with more prospects for innovative types of businesses, and a greater sense of co-operation between large and small businesses. The role of information and communications technology (ICT) has also burgeoned.

The challenge of inadequate infrastructure creates significant problems for small businesses especially if they are considering expanding their operations. Inadequate infrastructure affects

the cost of doing business. The GEM South Africa report (2014) argues that infrastructure is crucial for SMME development. Small businesses function well when they have ease of access to communication infrastructure, better transport services and affordable trading space.

Finmark Trust (2010) pointed out that SMMEs operating in the Gauteng Province have difficulty obtaining physical trading space to operate their businesses. Some SMMEs face challenges related to utilities, especially when it comes to the delivery of electricity. However, SMMEs in the Western Cape and Mpumalanga cited different challenges, claiming that they have problems accessing sufficient amenities and space.

Sibiya, Jembere, Xulu and Adigun (2008) state that for SMMEs to survive global competition they need to have appropriate resources and a business mindset. The inability of small businesses in South Africa to go beyond mere survival makes it difficult for them to deal with even local competitors as they often respond adequately to business demands. SMMEs need to recognise the ICT infrastructure that is required to operate as some business owners lack the resources to purchase such equipment. There is also a reluctance to adopt ICT infrastructure without surety of return on such an investment. It is therefore vital to secure an affordable solution, which will be easy to use, and which will bring about fast returns on investment to address this problem.

Bowen, Morara and Mureith (2009) and Mboyane & Ladzani (2011) point out that beyond this advanced challenge, many SMMEs even have difficulty with securing reliable telecommunications, water and electric supply. Schaffers, Merz and Guzman (2009) state that the shortage of infrastructure for the delivery of a sound telecommunication system acts as a barrier to communication in rural areas. The problems that are associated with these barriers worsen if roads are poor, and if the telecommunication, and bandwidth, is limited or expensive. In rural communities, there is a low level of penetration of basic telephone services. A lack of basic facilities for SMMEs impedes the accessing of opportunities that e-commerce offers. In South Africa, problems with the telecommunication industry are characterised by relatively high prices, and by the lack of competition. Within the telecommunication industry, Telkom has a monopoly in South Africa, so that it is able to charge relatively high prices, (Schaffers et al., 2009).

The next chapter focuses on the research methods utilised in this study.

CHAPTER THREE

METHODS

3.1 Introduction

In this chapter the research methodology and tools utilized in the study are discussed and an explanation is provided for why these specific methods and data collection techniques were adopted. The population of the study area as well as the sample used are explained.

3.2 Research Design: Case Study

Research techniques need to allow for exploring the identified problem scientifically, and in a well-founded way (Welman & Kruger, 2001). According to (Rajasekar, Philominathan & Chinnathambi, 2013) the scientific approach requires drawing conclusions built on evidence collected and in-depth reflection, rather than on rationality alone. This was the guiding principle in designing this study.

Within scientific research a deductive or an inductive approach can be taken. The appropriate approach depends on whether data will be collected to test theories or to build theories (Bryman & Bell, 2007). In inductive research, conclusions are derived from empirical observations leading the researcher to theories and hypotheses. On the other hand, the deductive approach theory is appropriate when working out hypotheses to be tested using data collected (Ghauri, Grønhaug & Kristianslund, 1995). In this study an inductive approach was used in order to generate meaning from data collected and to identify patterns and relationship to build theory.

The study is exploratory and uses a qualitative case study methodology, as case studies allow researchers to understand, interpret, observe and study complex phenomena within their natural contexts. In qualitative methods, information is often collected from a few study objects (Bryman & Bell, 2007). The researcher is close to the data with a sort of insider view (Ghauri et al., 1995). According to Bryman and Bell (2007), qualitative research is an appropriate approach for research in business and management administration, but the type of research approach selected depends on the purpose of the study. As Gunnarson (2002) points out, the

benefit of a qualitative approach is that it takes into consideration the overall picture in a way that quantitative methods cannot. A qualitative approach was considered more suitable for this research as it sought to surface the challenges facing SMMEs in Site C, Khayelitsha, rather than to assess a list of possible challenges facing research participants.

While it is acknowledged that some of the emerging factors will be particular to this community, it is likely that some of them would apply more generally. This allows the researcher to develop recommendations which could be used to formulate strategies to ensure the success of SMMEs, not only in Site C or Khayelitsha Township, but also in other economically deprived urban areas of South Africa. The research design was carefully selected to meet the research aims, objectives, and to answer the research questions of the study. The section below provides more details on the case study approach used, the instrument that was used to collect the data and the procedure that was followed in obtaining the data.

3.2.1 The Case Study Approach

According to Bryman and Bell (2007), case study research involves detailed and intensive analysis of a single or few cases in which the complexity of the nature of a phenomenon is thoroughly studied. While a case study approach has been used in many well-known studies within the field of business, it does have certain limitations; for example, since one or a few cases cannot represent a certain group as a whole, the external validity of findings can be questioned when using this method. The purpose of the case study is not to generalise the findings to other cases or larger populations (Bryman & Bell, 2007), but to create a framework for discussion of the key issues. In addition, while this method is not intended to analyse cases, it is a good way to define cases and to explore a setting in order to understand it more fully (Cousin, 2005).

3.2.2 When to use a Case Study Approach

According to Yin (2003), a case study approach should be considered when: (a) the focus of the study is to answer “how” and “why” questions; (b) the behaviour of those involved in the study cannot be manipulated; and (c) when the aim is to uncover contextual conditions because they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context.

When a case study approach is applied correctly, it becomes a valuable method for researchers to develop theory, evaluate programs, and develop interventions (Baxter & Jack, 2008). Despite its apparent applicability in studying many relevant real-world situations and addressing important research questions, case study research has not achieved widespread recognition as a method of choice, and some researchers consider it a method of last resort (Baxter & Jack, 2008). Baxter and Jack state (2008) that some of these concerns stem from a lack of trust in the credibility of the procedures used in case study research. They may not seem to protect sufficiently against bias such as a researcher seeming to find what he or she had set out to find. This research method may also be limited due to a perceived inability to generalize the study findings to any broader level. These concerns underline the need for careful consideration when reporting or extrapolating from case study research. It can be a difficult task due to the complex nature of this approach. It is difficult to report findings in a concise manner, and yet it is the responsibility of the researcher to convey a complex phenomenon in a format that is readily understood by the reader. The goal is to describe the study in a comprehensive manner so as to enable the reader to feel as if they had been an active participant in the research and can determine whether or not the study findings are applicable to their own situation. Further, the researcher should compare their findings to facts in published literature and existing data. In this way it is easier to fully understand the findings and the results will be more reliable (Baxter & Jack, 2008; Eisenhardt, 1989). The literature ties together similarities that are not associated with each other normally (Eisenhardt, 1989).

The motivation for considering a multiple case study approach for this study related primarily to its ability to surface knowledge in a specific, but complex context; both in respect of the individual SMME owner and their respective locational circumstances. Secondly, the aim was to discover as much information as possible “about the details and reality of the situation” (Saunders et al., 2000) faced by each specific SMME. Thirdly, when a study includes more than one single case, a multiple case study is needed, and this was deemed more appropriate for this research (Yin, 2003). According to Yin (2003), when the researcher chooses to do a multiple case study he or she can analyse the data from each situation and across different situations, unlike when a single case study is chosen.

The difference between a single case study and a multiple case study is that the multiple case study allows the researcher to understand the differences and the similarities between the cases (Baxter & Jack, 2008; Stake, 1995). Another difference is that the researcher is able to analyse

the data obtained within each situation and across situations (Yin, 2003). Multiple case studies can be used to either indicate contrasting results for expected reasons or to indicate similar results in the studies (Yin, 2003). In this way the author can clarify whether the findings are valuable or not (Eisenhardt, 1991). When the case studies are compared to each other the researcher can contribute to the literature on the topic by identifying contrasts and similarities (Vannoni, 2014; 2015). The main reason for choosing a multiple case study is that the evidence created is measured, strong and reliable (Baxter & Jack, 2008). Other advantages of multiple case studies are that they contribute to theory when the suggestions are more intensely grounded in several empirical evidence. Thus, multiple cases allow for the exploration of broader research questions and contribute to theoretical evolution (Eisenhardt & Graebner, 2007).

3.3 Data Collection Instruments

Primary data was collected by means of semi-structured interviews conducted individually with business owners in Site C, Khayelitsha. Multiple cases were included in the study to identify possible commonalities which might allow for the tentative generalisation of findings.

Semi-structured, individual face-to-face interviews were chosen as a data collection tool as they allowed for the interviewer to clarify information through follow-up questions where the responses of interviewees were difficult to understand. Interviewing also allowed for the rephrasing and elimination of “don’t know” responses. It also allowed respondents to express themselves freely. Accordingly, the interviewees were given an opportunity to expand on issues raised through interview questions.

Following guidelines for interview structuring from Ritchie and Lewis (2003), the researcher created a topic guide, with questions progressing from more general to more specific to establish a guideline for what subjects were to be covered in each interview. Research questions were formulated to identify and cover major differences and similarities between the cases.

In line with the semi-structured interview method, the interview used open-ended questions to “encourage the interviewee to provide an extensive and developmental answer [as a means to] reveal attitudes or obtain facts” (Saunders, Lewis & Thornhill, 2009). Through probing follow-up questions, the interviewer could elicit more detailed description when necessary. Some specific and even closed questions were included towards the end of the interviews to obtain

specific details or opinions, and to encourage interviewees to summarise and rank their key issues (Saunders et al., 2009).

The questions were reviewed, and often revised, after each interview to incorporate any new information derived from the interview itself and from feedback solicited from the interviewees and to test any emergent conclusions (Maxwell, 2009). According to Ritchie and Lewis (2003), the topic guide remains a guideline and is not a strictly prescriptive document, and thus the researcher is flexible to pursue new lines of thinking not covered in the topic guide.

An interview enables the researcher to question the participant in order to gather data and to learn about the opinions, ideologies, notions, and behaviour of the respondent (Maree, 2007). The researcher conducted semi-structured interviews in such a way that it did not influence the thoughts of the respondents in any specific response. Another important advantage of interviews as opposed to questionnaires is that it takes into consideration the literacy levels of respondents. Interviews were conducted in both English and isiXhosa with the aim of ensuring that all respondents could participate fully. The aim of the interviews was to obtain rich descriptive facts that would assist in understanding the situation and views of the respondents. The use of semi-structured interviews enabled the interviewer to be precise and to the point with regard to the nature of the information to be obtained, but also allowed for flexibility in line with feedback from respondents.

One general problem when conducting qualitative interviews, with open-ended questions, is that the interview is “flavoured” by the interest and opinions of the interviewer. Semi-structured interviews are rather organized in terms of the issues to be discussed during the interview, while follow-up questions may be influenced by the interviewer’s opinions.

3.3.1 Interview Questions

The formulation of the interview questions was based on the objectives of the study.

1. What exactly does your business do?
2. When did you start your business?
3. What are some of the internal and external constraints facing your business?
4. Does your business make any profit? If yes how do you measure that? If not, how do you still continue operating?

5. What motivated you to start this kind of business in Site C?
6. Is your business registered? If so what was the process of registering your business? If not, why have you not registered your business?
7. How does the level of crime impact your business?
8. What are your greatest achievements and dreams?
 - What knowledge and skills do you have that make your business successful?
 - What knowledge and skills do you bring to your business which has contributed to your success?
 - What infrastructure support do you have which makes your business successful? Is infrastructure a challenge and in which way?
9. What has motivated you to continue doing business even when confronted with so many challenges?

3.4 Research Procedure

The researcher recorded the interviews and transcribed the answers. Before the interview, respondents were informed that the interview would be recorded and their consent was obtained. The interview recordings were transcribed for further analysis. In-depth interviews were held at the premises of each business owner in Site C, Khayelitsha, Site C.

The researcher obtained permission from the University of Cape Town's Commerce Faculty's Ethics in Research Committee to carry out the research. Prior to participating in the study, the respondents were advised about the nature of the study, and that their involvement in it was voluntary. They were also informed during the introduction that they could withdraw from the research at any time. The participants were guaranteed confidentiality and anonymity. Before each interview, the participant was given a covering letter explaining the aim of the study, and highlighting its importance, stressing that the data collected was intended to benefit SMMEs in Site C, Khayelitsha

3.5 Data Analysis

The data was analysed by assigning relevant themes depending on the patterns that emerged during the interview process. A theme is an attribute, descriptor, element, or concept (Ayres, Kavanaugh & Knafl, 2003). It is an implicit topic that organizes a group of repeating ideas and enables researchers to answer the study questions. It contains codes that have a common point

of reference and have a high degree of generality that unifies ideas regarding the subject of inquiry (Ryan & Bernard, 2003). In order to identify themes, the researcher looked for word repetitions (the words that the respondents used most often) in order to understand what themes participants ascribed most relevance to. Words that occurred frequently or synonyms that interviewees used a lot were considered significant.

3.6 Research Participants and Sampling

For participation in the study, SMME owners needed to meet the following criteria:

- The business needed to operate in Site C, Khayelitsha.
- They had to be responsible for managing the business on a day-to-day basis.
- They had to have managed the business for at least three years.

A purposive sample was drawn from a population of small informal business owners and entrepreneurs in Site C, Khayelitsha. Maree (2011) defines purposive sampling as the technique to use when a specific purpose has been identified within a specific situation; in this study, the specific purpose was to establish the constraints faced by SMME businesses in Site C, Khayelitsha. Although this study is not representative of all SMMEs in Site C, Khayelitsha, it does provide a valuable frame of reference against which to compare future studies on challenges facing SMMEs in the same area.

Welman, Kruger, and Mitchell (2005) suggest that in the case study research method the units of analysis are limited to allow for a more intensive investigation. They contend that this will enable the researcher to understand the uniqueness of a particular case in its total complexity. For this reason, the research was limited to eight participants to allow for the identification of commonalities between cases and an in-depth investigation to understand the uniqueness of each case as they operate in different industries and have operated for different lengths of time.

The owners of the SMMEs were chosen as respondents. Purposive sampling, a kind of non-probability sampling, was utilised in the current study, which meant that participants were selected in terms of a specific defining characteristic. The aim of using purposive sampling in this study was that the SMME owners were key informants, as they had some knowledge and experience of the issues the study sought to explore. Purposive sampling was selected as it is a

very useful method, especially when using a small sample. Fox and Bayat (2007) assert that, when sampling, the researcher relies on the knowledge and the originality of the subject matter, and on previous research practices and achievements, to intentionally attain a satisfactory response to an enquiry regarding the units of analysis concerned.

The rationale for using this method was based on the absence of a relevant database of SMMEs operating in the area. The small business owners, mostly informal traders, in the area operate mostly at taxi ranks, at train stations, on street corners, in backyards, alongside malls, and on busy main roads.

3.7 Summary

This chapter presented the research design and the methodology applied in this study. The data collection method was carefully selected to achieve the research aims of the study. Ethical considerations were considered in the procedure employed and in the development of the interview questions.

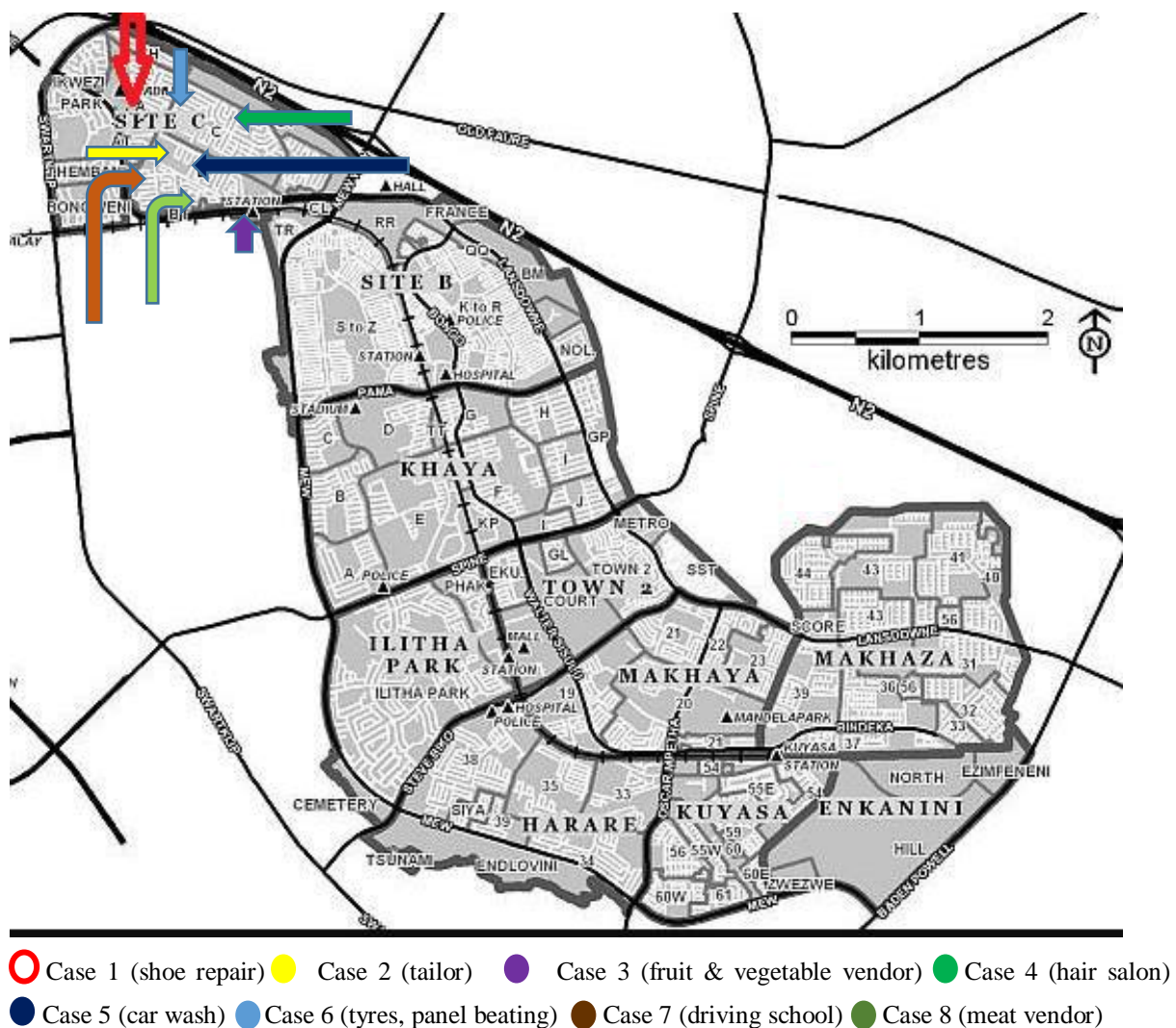
CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter outlines and discusses the data that emerged from individual interviews with eight SMME owners. The chapter begins with a case description of each SMME, followed by a summary of the information obtained during the interviews. (Photographs of the interviewees are reproduced with their consent.) Themes emerging from the interviews were then identified. The chapter concludes with a discussion of the study results, arranged according to these main themes. All eight businesses are based in Site C, an area in Khayelitsha, Cape Town's largest township. The map below indicates the location of each business in Site C.

Figure 4.1: Location of each case business in Site C, Khayelitsha (map source: <http://www.mapland.co.za/khayelitsha>)



4.2 Case 1: Shoe repair business (Jacob)



Table 4.1. Business Profile Case 1

Nature of business	Shoe repair
Founded in	2000
Structure	Owner-run business. No employees.
Formal business registration	None
Average monthly profit after all expenses are paid	R800 (in a good month)
Office and resources	Jacob operates from the backyard of his house. He owns one set of sewing shoe repair tools, one wood box, shoe repair machine and one sewing tool.
Highest level of education	Grade 10 (completed in Ghana)
Financial record keeping	None
Operating hours	9am- 6pm (Monday-Saturday)
Number of individuals supported in addition to business owner	4 people (3 children and his wife)

Jacob was born in Ghana and arrived in South Africa to find employment opportunities in 2000, when he was 38 years old. He now holds a South African passport. Unable to secure formal employment, Jacob decided to open a shoe repair business in Site C, Khayelitsha. In 2000, he began operating in the backyard of his home. Jacob got married before coming to South Africa; he has three children aged between 18 and 27 years, who live with their mother in Ghana. His family has never visited South Africa due to financial constraints. His last visit to Ghana was in 2010, and he is only able to connect with his family telephonically. Jacob stated that using

a hand needle and small tools makes it difficult for him to deliver services to customers quickly enough. His business serves to keep him occupied and enables him to provide for his family. Jacob reported concerns about security because five business owners in his neighbourhood who were foreign nationals had been killed in robberies that occurred between June and September 2017. Jacob had had a break-in at his business premises in the past but was not at the premises at the time this occurred.

4.3 Case 2: Tailor (Lucky)



Table 4.2 Business Profile Case 2

Nature of business	Tailor
Founded in	1998
Structure	The owner runs the business, aided by family members. He employs his brother and younger sister.
Formal business registration	None
Average monthly profit after all expenses are paid	R3,500 - R4,000
Office and resources	Lucky operates from an RDP house and small shipping container which is situated in the centre of the Site C taxi rank. His equipment consists of scissors (to cut fabric and thread), measuring tape, needles, safety pins, an iron and two sewing machines.
Highest level of education	Grade 11
Financial record keeping	He has a petty cash book to record minor expenditures, for example, taxi fares for trips to buy office and general supplies (milk, sugar etc.) and a receipt book to record all sales and cash deposits by customers.
Operating hours	8am – 6pm (Monday to Saturday)

Number of individuals supported in addition to business owner

7 people (4 children, 3 siblings, partial support to 5 additional siblings)

Lucky is 52 of age, and was born in the Eastern Cape. He has four children aged between 16 and 27 years. His two eldest children are unemployed while the other two are in high school. His children stay at his family home in rural Eastern Cape, together with three of his younger brothers and two sisters, who he partly supports financially. After completing Grade 11, Lucky worked in clothing factories both in the Eastern Cape and in Cape Town. It was while working in the Eastern Cape that Lucky obtained his knowledge in clothing production. When he relocated to Cape Town, Lucky became a supervisor in a clothing factory. When the company was liquidated in 1998 he was retrenched and decided to start his own business. The business is situated in the centre of the taxi rank in Site C, Khayelitsha, housed in a small RDP house which he received when he moved to Site C. He also uses a small shipping container for storage as the house is not big enough to accommodate workers and garments. His chief business is sewing garments, mostly for traditional weddings, using a second-hand sewing machine. Lucky reported that having only one sewing machine means that he can no longer produce sufficient garments to meet customer demand. Since start-up, Lucky and his brother have been involved in the business. Since 2014, Lucky has also been employing his (until then unemployed) sister, Thobeka, aged 35, due to the increase in order volume. Before his sister joined, the business used to produce between 10-15 garments a month. This has increased to an average of 20-45 garments a month.

Every two weeks, Lucky takes a metered taxi to Paarl, a town approximately 55km from Site C, to fetch supplies. The return trip costs him approximately R300. Lucky noted that it is easy for him to cover this expense from the business' turnover. His brother and sister assist in the business when he is away from home. He is satisfied to have only two employees, which allows him to maintain control over the business and to keep down his costs.

Lucky financed his business initially through savings from his retrenchment package and contributions from relatives in the Eastern Cape. He evaluated his business as doing very well, as his profit has increased from between R1,500-R2,000 profit a month when he started, to R3,500-R4000 a month). Lucky plans to expand the business once he has secured a bigger working space. He mentioned that he can buy more equipment now that he is making a reasonable profit. He is considering registering the business and at the time of the interview,

he was collecting information on the requirements for registration. His bank had advised him to register his business in order to qualify for a loan. He reported that a loan would assist him to extend his house to have more space to accommodate extra sewing machines and staff members, hence the urgent need to formalize his business. During the interview, crime and competition did not come up as challenges he had experienced. Instead, he indicated difficulties with financial management including insufficient knowledge of bookkeeping and poor cash flow management.

4.4 Case 3: Fruit and vegetable vendor (Lindiwe)



Table 4.3 Business Profile Case 3

Nature of business	Fruit and vegetable vendor
Founded in	2004
Structure	Owner-run business, aided by family members. No employees.
Formal business registration	None
Average monthly profit after all expenses are paid	R1,200-R1,500 (weather dependent)
Office and resources	She operates from the back of her pick-up truck which she uses to display her products.
Highest level of education	Grade 4
Financial record keeping	None

Operating hours

7am – 7pm (Monday to Sunday)

Number of individuals supported in addition to business owner

8 people (6 children and 2 family members)

Lindiwe is 45 years of age and was born in Paarl, in the Western Cape. She left school after Grade 4, and worked as a domestic worker for 15 years. She has seven children, aged between nine and 24 years, of whom six of still depend on her. Her eldest child is working in Bellville. In 2004, after losing her job when her former employer left South Africa for England she started her fruit and vegetable business. She operates it from the back of her old pick-up truck which her previous employer had donated to her. Her business is close to Site C train station, in a spot which most train commuters need to pass to get to the station platforms.

Lindiwe highlighted that the biggest challenge she has faced to date is suitable space from which to operate her business. When it rains she has to close down as she does not have a tent or shelter for cover. She also has to close down when she needs to buy stock as she has to use the same truck to collect the produce that she uses as a stall to display the fruit and vegetables. Lindiwe does not have a driver's license, but two of her older sons have licenses. They help her when she has to collect stock. Each return trip costs R200 in petrol. Lindiwe purchases fresh produce four times a month, because she believes in having fresh produce every week. The fuel costs are factored into her weekly expenditure as they constitute an important part of her business costs, but the challenge is that she does not have a systematic process in place to account for her expenses. She estimates that the fruit and vegetables cost her R3,500 monthly. This figure seems high, though, in the light of her reported turnover of R6,000 per month. It needs to be noted that some of the figures provided were estimates, as Lindiwe did not keep financial records. The researcher thus relied on information given by Lindiwe. It was clear, however, that she knew what "turnover" meant, even though there was a mismatch between what she reported spending on goods and the business' actual monthly turnover. Family members assist in the business without remuneration. Lindiwe believes that her business could grow with better support from local government. She mentioned that she could operate better if she had proper infrastructure in the form of a temporary shelter (e.g. shipping containers or incubator space) so that she could cover her produce, especially on rainy days, and the shop could stay open when she uses the truck to fetch her produce.

In the last 12 months, Lindiwe had experienced several periods of financial shortfall, for example, when she had to pay for new school uniforms and school fees for five children. Her employed daughter sends her R800 at irregular intervals.

4.5 Case 4: Hair salon (Zolani)



Table 4.4 Business Profile Case 4

Nature of business	Hair salon
Founded in	2001
Structure	He employs two other employees each earning R600 per month.
Formal business registration	None
Average monthly profit after all expenses are paid	R1,500-R2,000
Office and resources	He operates from a shack situated behind the Site C taxi rank. He has hairdryers, shampoo bowls, mirrors and other equipment. He uses a generator to connect his electrical appliances.
Highest level of education	Matric
Financial record keeping	None
Operating hours	8am-7pm (Monday to Sunday)
Number of individuals supported in addition to business owner	4 people (his wife and 3 children)

Zolani is 50 years of age, married and with three children in high school. He started his hair salon situated at the taxi rank in 2001, after retrenchment from a construction company based in North West Province. His business offers limited services (shampooing, hair-cutting and hair colouring). The shack where he operates his business does not have electricity provided, and so he uses a generator as an alternative source of power supply. He prefers to use electricity as the cost of buying diesel everyday has become expensive to sustain. Zolani would like to extend his services. Currently, the salon is not generating sufficient profit to enable him to extend its services (for example, offering facials, body waxing, manicures, pedicures and sculptured nails). This is due to the fact that the business is not able to cover costs consistently every month, even though the business can generate an average profit R800 a month. This has left him frustrated. Other challenges Zolani raised were frequent water leaks caused by broken pipes, which sometimes results in businesses having to close down as there is no water from the taps. This has a negative impact on his business due to its heavy reliance on water supply. In addition, Zolani reported being bothered by *“the squalor of the squatter camps and a constant stream of new people moving into Site C”*¹. He indicated that he was open to the presence of foreigners as they use his services and are good for his business.

Zolani enjoys the freedom that comes from running his own business. In the interview, he stated: *“I like being my own boss”*. He also feels that he can use his skills best when having his own business. Zolani completed his matric in 1997. While growing up, he wanted to be a farmer and did not feel the urge to study further. Zolani further explained that *“times were tough because of the freedom fight”*, which was another reason he could not pursue his career interest. His business keeps him occupied. He does not feel close enough to anyone to call them his friend, and said: *“My wife is my only friend”*. He enjoys travelling to Mozambique with his wife whenever he can find the time.

¹ All direct quotations from the case study interviews are presented in italics.

4.6 Case 5: Car wash (Sizwe and Thabo)

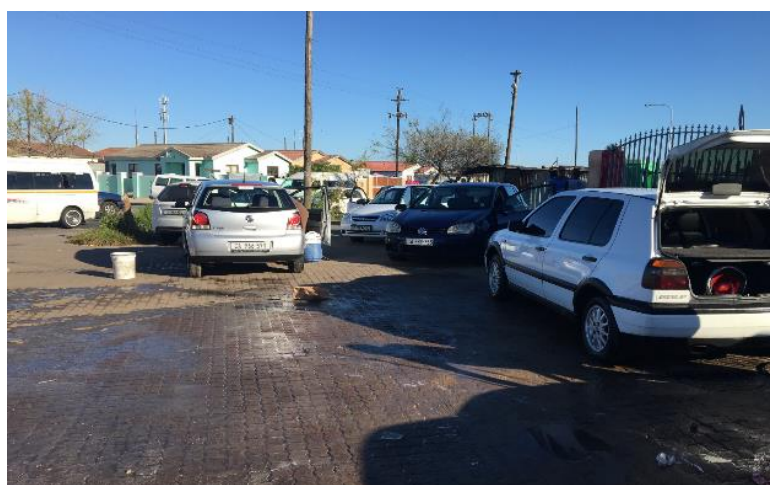


Table 4.5. Business Profile Case 5

Nature of business	Car wash
Founded in	2013
Structure	Run by the two owners, no employees
Formal business registration	None
Average monthly profit after all expenses are paid	R1,200-R1,800
Office and resources	The business is situated at the corner of a petrol station near the Site C taxi rank. It is located in front of the business owners' RDP home. They make use of three vacuum machines, Shield orbital polisher, cloths, sponges, rags and wipes, leather and vinyl cleaners.
Highest level of education	Grade 10
Financial record keeping	None
Operating hours	8am-6pm (Monday to Sunday)
Number of individuals supported in addition to business owner	4 people (4 siblings)

Sizwe and Thabo are brothers, aged 25 and 28 years respectively. They own a car wash business situated at the corner of a petrol station near the taxi rank, on an open street close to their RDP home from where they access water. They both dropped out of high school in Grade 10, a decision that was necessitated by domestic circumstances. Both of their parents passed away

and they had to take care of their four siblings, who are now aged between 10 and 14 years, and in primary school. They started the business in 2013, and it has continued to grow. Their business now makes on average of R1,200-R1,800 profit a month in comparison to R400-R800 profit when they started the business. The business offers a variety of services ranging from wash and vacuum, wash and polish, to full valet.

The two brothers did not speak much about the challenges they face, but they did emphasize that they would prefer to operate in a secure area to avoid trouble with law enforcement authorities. They spoke of constant threats (including fines, intimidation, and threats of shutting down their businesses) from municipal authorities in the City of Cape Town who stated that the washing of vehicles with municipal drinking water was illegal. This issue was their major concern as they felt that it might threaten the sustainability of their business.

4.7 Case 6: Tyre business (Moses)



Table 4.6. Business Profile Case 6

Nature of business	Panel beater and tyre business
Founded in	2005
Structure	Two people operate the business – the business owner and one other person who assists him in his daily operations.
Formal business registration	None
Average monthly profit after all expenses are paid	R3,800-R4,500

Office and resources	The business is situated at the corner of Site C taxi rank. Moses uses panel beating hammers, panel beating dollies, spoons and tyres.
Highest level of education	Grade 11
Financial record keeping	He has a receipt book which helps him to track spending on the business (e.g. purchase of tyres and rims).
Operating hours	8am-7pm (Monday to Saturday)
Number of individuals supported in addition to business owner	4 people (4 children)

Moses is a father of four children. He is 52 years of age, and started his tyre business in 2005 after losing his job in a mining company in Mpumalanga. He states that he had no intentions of opening a business, but his responsibility to provide for his family motivated him to start the panel beating and tyre business. The business is run from his backyard, which is situated next to the taxi rank where many motorists pass. Moses raised several challenges he experienced in operating his business, including robbery, poor infrastructure and inadequate machinery.

At the time of the interview Moses had given notice to his Zimbabwean business tenant as he wanted to take over the street food area currently operated by his tenant. His plan is to establish a restaurant and tavern in addition to his panel beating business. To do this, he has been negotiating for formal bank financing to access R80,000. He has obtained assistance from a business consultant who works for Black Umbrellas, an incubation, mentorship and development programme that facilitates the development and growth of small businesses, situated in Cape Town's central business district (CBD). The organisation does not charge services fees as it is a non-governmental organisation (NGO) supported by the Department of Trade and Industry (DTI). The consultant assisted him in preparing an in-depth business plan. Moses's business plan in support of his loan application described his aim as attracting a larger customer base. In addition, he projects future investment in his existing panel beating business to provide a more sophisticated client experience. Rather than working to induce a static client base to spend more money at his present enterprise on additional products, Moses aims to grow his total customer base, adding the attraction of food and drink in order to become a neighbourhood social hub. He expects to increase his staff from two to six people through this expansion. A major challenge that he faces is the need to register his business so that he can secure funding opportunities.

4.8 Case 7: Driving School (Thandokazi)



Table 4.7 Business Profile Case 7

Nature of business	Driving School
Founded in	2012
Structure	Owner-run business, two employees (truck driving instructor (for code 10 license), small vehicle instructor (for code 8 license)
Formal business registration	None
Average monthly profit after all expenses are paid	R3,800-R4,000
Office and resources	The business is situated next to the centre of the taxi rank, operating from a shipping container. The owner owns one truck and one small vehicle.
Highest level of education	Matric
Financial record keeping	Receipt book (this helps her to track her monthly expenses, e.g. petrol costs)
Operating hours	9am-5pm (Monday- Friday) & 9am-2pm (Saturday)
Number of individuals supported in addition to business owner	2 people (her mother and brother)

Thandokazi is 32 years of age, and does not have children. Her highest qualification is matric. Prior to opening her business she had no formal employment. After struggling to get a job, she attended a driving school academy in inner city Cape Town which sought to empower small start-up businesses. With the skills acquired from the series of workshops she attended for six

months, she opened her own driving school in 2012. It is situated next to the taxi rank. The business operates from an old shipping container which she painted and renovated, and now owns. The driving school offers professional instructions for learners' licences, as well as Code 8 and 10 drivers' licences, in accordance with the K53 defensive driving system. She offers hourly rates and bundled lessons. She also offers lessons in the evenings and over weekends for clients who are not available during normal working hours.

Thandokazi likes being in Site C and does not have plans to move. She sends close to R1,500 a month to her mother and brother, who are still living in Mpumalanga. She relocated to Cape Town in 2010, to pursue Marketing studies at the Cape Peninsula University of Technology (CPUT). She dropped out in her second year due to a lack of funding. This is when she decided to enrol for the driving academy course. She feels she has succeeded in her driving school business, and would much rather continue in that line of work than work for somebody else, even if she earned more. The police used to pose a challenge to her as the container from which she operates is situated on public land and she was harassed constantly by enforcement authorities as it is illegal for her to put up a container in a municipal land. Other challenges she experiences include customers not paying on time or not completing their driving sessions. This puts a strain on her budget as it affects her monthly projections.

Thandokazi is a member of a *stokvel* (informal savings club). She reports that this has helped her as periodically she receives lump-sum amounts that assist her in running her business. She has not needed to borrow money for her business. She mentioned that she was concerned about the large number of additional people who had moved (and continued to move) into Site C. She linked most of the crime, particularly robberies of businesses which have become more common, to the high number of foreign nationals that are moving into Site C.

Thandokazi says she gets angry when she sees wealthy neighbourhoods in Cape Town, with large houses and properties. For her, they emphasise the extreme inequality that still persists in South Africa.

4.9 Case 8: Meat Vendor (Msuthukazi)



Table 4.8 Business Profile Case 8

Nature of business	Meat Vendor
Founded in	1998
Structure	Owner-run business
Formal business registration	None
Average monthly profit after all expenses are paid	R1,500-R2,000
Office and resources	Msuthukazi operates near the Site C taxi rank. She owns two braais (including a braai stand, roast knives, tongs and other equipment). She does not own the place where she operates her business from, but it is a public space across the road from her RDP house.
Highest level of education	Matric
Financial record keeping	None
Operating hours	8am-6pm (Monday- Saturday)
Number of individuals supported in addition to business owner	7 people (6 children and her husband)

Msuthukazi's age was not discussed in the interview, but she appears to be in her fifties. She has six children, aged between 20 and 30 years. Msuthukazi migrated from Umtata in the

Eastern Cape to Site C, Khayelitsha, in 1998. Before starting her business, she had been employed as a cashier at Shoprite for ten years. When she was 35, she decided to leave her job and start her own business due to her mother's illness. Msuthukazi trades near the Site C, Khayelitsha, taxi rank. She initially sold fresh lamb meat and sausage, and now also offers sheep livers. Her business is situated next to Zwelitsha Drive, one of the main streets in Site C. It is popular with Somalians, taxi drivers, and customers who want cheap and fast barbecued lamb. It is situated in an area with numerous other meat vendors. These businesses cater to people on the go, because the meat is always ready.

She has never had any employees. Msuthukazi trades six days a week (Monday to Saturday) and operates from around 8am until 6pm, or until the food runs out. This leaves her with little time for relaxation. She appreciates the flexibility in terms of working hours that owning a business affords her. For this reason, she would prefer to continue running her own business even if she was offered a job with the same returns. She and her husband send on average R800 per month to her relatives in the Eastern Cape Province. She has few business-related transport expenses because her suppliers have enough scale in Site C to bring supplies to her without charge.

Msuthukazi completed her matric in 1996, and her favourite pastime is shopping. Growing up, her dream was to become a nurse. She gave up on the dream due to her financial difficulties. Her dream for her children is that they become successful professionals such as teachers or doctors. She wishes for her children to have a stable salary: *"This is to ensure that they never get to experience not having a stable income and not knowing where your next source of income will come from."*

Msuthukazi is pessimistic about the future of Site C. If she had no financial constraints, she said she would have moved to the nearby townships of Langa or Gugulethu. In her view, aside from the improved provision of free housing under the government's RDP, there has been barely any improvement in Site C since she came to live there. Her pessimism derives from escalating levels of crime in the area. She said that if she could change anything about Site C it would be to reduce crime. She partly attributes the rising crime rate to an increased number of foreign nationals who are often unemployed and thus end up being forced into criminal activities. Her pessimism about the area carries over to her views about the future of South Africa. She says she will only be optimistic about the country's future if the government becomes more proactive and committed to fighting crime and corruption. She believes that it

is unfair that residents in wealthy suburbs like Constantia and Camps Bay live a life of opulence, in sharp contrast to her own life and that of her neighbours. She is also bothered about how she feels they view Site C as a problem place of chaos, violence, and disorder.

4.10 Analysis of Case Study Businesses

This section will provide an overall analysis of the eight businesses, with particular reference to the number of years they have been in business, whether the business is registered or not, and the business income per week / month.

4.10.1 Number of Years in Operation

All of the business owners interviewed had been in operation in Site C for at least three years, while some had operated in the area for more than ten years. The majority of the respondents mentioned that having a strong client base had enabled them to survive despite the challenges they faced, which included poor infrastructure, high levels of crime and poor management of cash flow. They pointed out that most of their clients had been loyal to them for many years. These findings are in contrast with those of Dunn and Liang (2011), who stated that because of a lack of management skills and start-up capital, many businesses tend to fail in their first year of operation.

4.10.2 Business Registration

None of the eight businesses were registered with the Companies and Intellectual Property Office (CIPRO). This meant that the SMMEs in the study fell within the informal economy sector. Some of the business owners interviewed mentioned that it is the complex and costly procedures involved in the transition process from informal to formal business that prevent them from becoming formally registered. They pointed out that the process of formalisation is time-consuming and costly. They also mentioned administrative barriers which included waiting in long queues and sometimes not being assisted, high volumes of paper work required in the process, the long time from application to registration, and the inaccessibility of services to obtain feedback or progress on the status of the registration process. Moses (tyre business), for example, shared: *When you go to the South African Revenue Service for registration you spend the whole day in the queue with no guarantee that you will be granted assistance at the end of the day. This is very frustrating because the time spent there is a big loss for my business*". These findings are in line with those of Gwija, Eke and Iwu (2014), who point out that bureaucratic factors, the length of time required for registration processes, and other barriers such as costs might lead to businesses not registering.

Low education levels emerged as an additional impediment. Five business owners – Jacob (shoe repair), Lindiwe (fruit and vegetable seller), Moses (tyre business), Lucky (tailor), Sizwe and Thabo (car wash) – identified their level of education as being a major impediment in their businesses. They pointed out their difficulty with completing basic business forms (e.g. funding application forms) and other business documents because they battled to understand the business terminology contained in these documents. This meant that they could not benefit from potential funding opportunities which may have allowed them to expand their operations.

4.10.3 Profits and business growth

The eight businesses interviewed indicated that they generate an average profit of between R800 and R4,500 per month. According to the South African classification of enterprises, they would thus be classified as micro enterprises as their turnover is under R150,000 per annum (NCR, 2014). All of them are thus survivalist organisations. Jacob (shoe repair) and Lindiwe (fruit and veg vendor) mentioned that there are days on which they generate no income which puts them under financial strain. Lindiwe (the fruit and veg vendor) reported that her cash flow challenges sometimes made it difficult for her to continue with her daily operations, order stock and pay for immediate expenses. Msuthukazi (meat vendor) expressed the same views. Only four of the case businesses (tyre & panel beater, driving school, hair salon and the tailor) generated reasonable turnover to exceed breaking even, and only three were able to manage their cash flow (i.e. the tyre business, driving school and tailor). The interviewees were business owners who expressed aspirations for and potential of expanding their businesses. Lucky, for example, stated that his greatest achievement thus far was: *“I am now able to employ more people especially since my businesses is making reasonable profits and also attracting more customers has allowed me the opportunity to generate even greater profits as the demand for my products and services have increased”*.

The remaining business owners interviewed seemed comfortable with merely generating sufficient income for themselves, and having simple business operations rather than adding complexity by employing staff members. There was thus a clear distinction between two types of survivalist businesses among the case studies: those owners with a broader vision for their business and some form of business strategy – Thandokazi (driving school), Lucky (tailor), Moses (tyre business), and Zolani (hair salon) – and those for whom their businesses served

purely or almost exclusively as a means of survival, for example, Msuthukazi (meat vendor), Jacob (shoe repair), Sizwe and Thabo (car wash) and Lindiwe (fruit and veg vendor).

Thandokazi, who runs the driving school, seemed to have a far more developed business idea than the other interviewees. She chose a unique business idea and only established the business after gaining relevant knowledge and funding through attending a formal course. Even though the tyre business was set up more haphazardly, without much seeming thought about why the particular type of business would be appropriate, strategic thinking was evident around how to use the land on which it was situated as a more effective asset. The idea of opening a restaurant in the area was motivated by the location of the land, as this site attracts much foot traffic due to its proximity to the Site C taxi rank. Unlike the other five business owners, Thandokazi, Lucky and (to some extent) Moses, demonstrated drive to establish something of their own. While profits are critical for the survival of any business, the businesses in this group seemed to fulfil other needs for their owners too. These were of a more personal nature, such as personal fulfilment and a sense of achievement.

4.10.4 Access to Government Funding

None of the small businesses interviewed indicated that they had received government support. This finding coincides with Chimucheka (2013), who found that most SMME owners reported insufficient government support. Even though government initiatives do exist, half of the businesses interviewed pointed out that they were not aware of these programmes, for example DTI initiatives, LBSCs, and SEDA mentorship programmes. One problem may be that insufficient funding is available for small, non-registered businesses with the potential for growth, or the available funding does not come with business management support. Thandokazi (driving school), for example, stated: *“I feel there is a need to have programmes aimed to assist emerging entrepreneurs like myself. Money should not be just thrown at us, but guidance should be provided to us as well. When I applied for a grant from SEDA, it was given to me with the assumption that I knew how to run the business already and I was totally new. I wish that mentoring was provided as well.”*

Based on the eight case studies in Site C, it appears that potential government support to SMMEs operating within Khayelitsha does not reach the grassroots level where it is most needed, and where there are micro businesses that show potential to grow beyond their current capacity. The findings of this study concur with those of Fararah, Muamalat and Muamalat

(2014), who reported little responsiveness of SMMEs in terms of accessing business development support programmes. This seems to be mainly due to a lack of awareness of the availability of funding from the DTI, for example, or the applicable funds being regarded as inaccessible, and thus is in line with the views expressed by the NCR (2011) and Phillips, Moss and Nieman (2014).

4.10.5 Job Creation

Three of the eight business owners interviewed agreed that their businesses have helped to create some employment opportunities for local residents. Lucky's tailor business had employed two females that stay around Site C, Sizwe and Thabo had employed two extra males in their car wash business, while Zolani's hair salon employed only one person. This is a positive demonstration of the fact that these businesses are eager to create employment. The other businesses did not employ any staff as the owners had their siblings and children to assist with the daily running of the businesses. These findings coincide with the findings of Phillips et al. (2014) that SMME developments are recognised as a tool to address socio-economic challenges. Furthermore, the South African government is of the view that the success of SMMEs is through small businesses development, and that poverty alleviation is viable (NCR, 2011).

The findings also coincide with those of Peters et al. (2014) that the development of SMMEs is crucial and that they play a vital role in economic welfare, job creation, and social stability within the communities concerned. Ngek and Van Aardt (2013) elaborate on the above in saying that SMMEs are a vehicle for addressing poverty, as South Africa is faced with high unemployment rates, and SMMEs play a major role in job creation in most countries. The results of the research illustrate that these businesses are trying to assist their communities, and therefore require support.

4.10.6 A Need for Financial Assistance

Six out of the eight business owners interviewed expressed the need for financial assistance so that they are able to operate their businesses, for example to help them buy equipment and other material required to expand their businesses. This response is consistent with the literature reviewed and illustrates that finance for SMMEs in South Africa is not easily accessible (they don't get it when they need it). The evidence underlines that financial support is crucial for businesses to survive. The findings coincide with those of Fatoki (2014), who agrees that a lack

of financial support contributes to business failure, and that it is regarded as the second factor constraining small business development after education and training in South Africa. Zolani mentioned that: *“I started my business without any plan, which resulted in me experiencing a lot of problems. Adding to my list of problems was the fact that I did not have capital when I started my business, no equipment and no working tools whatsoever. As a result, I had to go borrow everything. My greatest lesson from all this was learning the important of having a proper plan when pursuing a business of any kind”*.

Moses stated that: *“I did not get assistance from banks. They required that I should have a business plan and a business bank account. I was also advised to consult SEDA offices in Bellville. This was to assist me in developing a business plan so that I can formally register my business and stand a better chance of getting funding”*

Lucky expressed his view that *“I was not registered, as a result I could not even open a bank account as a business and because of that I had no choice but to use my personal account. This was even more challenging as it meant that I could not differentiate expenditures related to my personal and business transactions”*

Some of these businesses that have tried to approach banks indicated that stringent lending criteria and a high level of risk averseness of financial institutions are major constraints hindering their access to finance. They felt that the stringent criteria used by financial institutions made it difficult for them to meet the set requirements. Phillips et al. (2014) agree with the findings that the cost of funding is too high, and that the eligibility criteria used to access funding and support are prohibitive. Therefore, there is a need to revisit and to remodel the requirements in order to accommodate the needs of SMMEs. They also pointed out that it would be useful for funders and financial advisors to be visible in the areas in which SMMEs operate, particularly those operating in economically deprived areas, so as to support and advise them on financial matters and recommend solutions to financial challenges that they face.

4.10.7 Lack of Infrastructure

All businesses interviewed believed that not enough was done in terms of providing infrastructure. They all said that the infrastructure provided was inadequate and as a result this affected the manner in which they provided their services. This is in line with the findings of Ramunkumba (2014), who is of the opinion that poor infrastructure is a barrier, including high

energy costs, including electricity, and the limited availability of transportation. Moses said that: *“It is frustrating to operate my business here sometimes even though I still have to pay for this electricity; the blackouts that happen almost every week, and in some cases twice in one day, are serious problems in Site C. Mind you my business entirely depends on electricity. No electricity, no business”*

Lucky added that: *“When there is no electricity in my area, I have no choice but to close my business, or otherwise the service becomes too slow because I do not have a generator. No electricity on a particular day means I do not generate any sales”*. It is therefore an important prerequisite that proper infrastructure should be in place to enable businesses in the informal and formal SMME sector to operate. The South African government recognises that there has been a backlog in physical infrastructure provision, limiting development that supports growth in terms of improving the conditions for these businesses in metropolitan areas, and rural villages to operate optimally (South African DTI, 2013).

4.10.8 Impact of Crime

Four out of the eight businesses interviewed pointed out that crime was a serious problem in the area of Site C. Four of these businesses (e.g the shoe repair, hair salon, tyre and panel beater and the tailor) raised concerns that crime has a negative impact on their business operations. These criminal activities ranged from robberies, break-ins to vandalism, and as a result employees and siblings working in the business are being injured and traumatised by these incidents.

These findings are in line with those of Cant and Wiid (2013), who agree that micro- enterprises are affected by high levels of crime. Four of the businesses (e.g the shoe repair, hair salon, tyre & panel beater and the tailor) stated that crime is hindering their chances of business growth. Lucky stated that *“I lose business when people hear the incidents that occur in my business and this has a negative impact on the business as customers become anxious in buying from me”*. Aside from a sharp drop in customers, he has also had to contend with higher insurance premiums: *“I have been advised by my insurance to tighten my security by installing barbed wire fences, panic buttons or an alarm”*.

Moses added that *“All these extra costs are built into the price of goods, so I will have to pay for them in the end”*. These findings coincide with those of Ramunkumba (2014), that crime, such as theft, is a challenge to business growth.

All eight businesses interviewed are at risk of being targets of robbery because they are largely cash-based businesses and do not have card facilities. Customers typically pay in cash, and so criminals are aware that these businesses will likely have cash on the premises. Another factor to be considered is that some of these businesses are home-based. As a result, criminal activities do not only affect their businesses but also their homes if they are invaded and such situations have the potential to turn violent. Reducing the number of cash transactions at micro-enterprises would make them less appealing targets for criminals. One way to attempt to reduce the vulnerability of micro-enterprises operating in such areas would be to implement cashless systems such as debit card payments. However, such sophisticated systems might not be feasible given the nature of these businesses as they are small in size, the costs might prove too expensive and they may not get card facilities from banks as they are not registered. The cost for debit/credit card transactions may be too high and would require regular access to electricity supply, and some of the businesses do not have access to such infrastructure. On the other hand, there are other potential opportunities to explore; these business owners could partner up with MyCiti (MyCiti cards can be loaded with cash) so that customers can use their MyCiti cards and business owners could get favourable rates (as an incentive). In that way, there would also be some form of registration (at least on the City of Cape Town database) and income data could be assessed, which in turn could assist business coaches/mentors.

4.10.9 Challenges in Understanding Business Terminology

Participants indicated that they find completing business application forms very challenging. This might be due to the fact that the level of education of respondents was low; hence there was a need for additional support in this area. These findings confirm what the Department of Trade and Industry (South African DTI, 2003) found, namely that training in business skills should assist businesses in terms of business management. This finding suggests the need to look into addressing issues of mentoring and training amongst the SMMEs operating in Site C, Khayelitsha.

The findings are in line with Siemens' (2010) findings that training and education programmes for business owners should include evaluation of the resources available so as to enhance the

successful operation of the business. It was evident that there is a need to empower SMMEs, as there was an indication that the education levels of participants might have contributed to a lack of management skills. Business education is crucial for these SMMEs to excel in their business ventures. This is highlighted in a study by Sharpe (2013), who found that education, training, and mentorship are basic principles for business development. Peters et. al. (2014) affirm that intervention in terms of training and business skills would empower these businesses.

4.11 Analysis of Similarities and differences between the Case Studies

The information in this section provides a thorough analysis of each business, which will help to provide insight into the true state of each business. The section provides an analysis of the eight case studies with regards to motivation for starting the business and financial performance. These two key aspects were chosen because they form a key focus of this study; for example, by looking at the financial performance of each business, this helped to provide insight into the true state of each business and to account for significant differences in the financial performance of each business. This also allowed for a cross-case analysis. This will be followed by a section on additional key themes emerging from the interviews.

4.11.1 Motivation for Starting a Business

Five business owners indicated that they were working on their own account because they had no other means of earning a livelihood, while the three remaining owners (Lucky (tailor), Moses (tyre business) and Thandokazi (driving school)) saw becoming self-employed as an active choice. Three quarters of the business owners also mentioned that in addition to their businesses being necessity driven, they enjoyed being their own boss – Msuthukazi (meat vendor), Sizwe and Thabo (car wash) and Zolani (hair salon). This means that most business owners interviewed seemed to see the advantage of self-employment over formal employment. An additional motivation emerging from the case studies was entrepreneurial role models in the family. Further detail on how the different motivations manifested is provided in the following sections.

4.11.2 Self Employment

Four business owners – (Lucky (tailor), Moses (tyre business), Msuthukazi (meat vendor) and Thandokazi (driving school) – indicated that they were motivated by a need to be independent

and to become their own bosses. This is consistent with research by Basu and Altinay (2002) who identified the desire for independence as a common motive for business entry. Business owners felt that operating a small business gave them personal fulfilment and allowed them to achieve success on their own terms.

Three owners (Lucky, Moses and Thandokazi) stated that running their own businesses allowed them autonomy over job tasks, work pace, how to do work and working hours. This showed that entrepreneurship provided an additional benefit in the form of independence. Msuthukazi (meat vendor), for example, stated that *“I always had passion for sales and wanted to sell for myself instead of selling for other people”*.

Lucky (tailor) suggested that in his previous occupation there were no adequate opportunities for growth; as such business became a logical alternative. The opportunity for growth was also referred to by Thandokazi (driving school): *“I find business to be more interesting than working for somebody else. There are new challenges everyday which keeps you on your toes than going through the same routine when formally employed by a company”*.

4.11.3 Family Influence

Three business owners said that they were motivated to start their own businesses by the self-employment in the family which they had been exposed to from a young age. Msuthukazi (meat vendor) stated *“I grew up in a business environment. My family was involved in business and that inspired me to want to have my own business. I was particularly encouraged by the level of support that family members gave each other”*. Equally so, Moses (tyre business) stated *“I am from a very entrepreneurial clan of Mazibuko. In my family everyone is involved in business. My family inspired me to follow in their feet of innovative men. I have an enquiring mind and a drive to do something new that is why I am in business”*. Both referred to the inspiration that family in business provided to them as a relevant factor for starting their businesses. In addition, Moses identified specific personal characteristics: An enquiring mind and drive to do something new. This relates to findings in literature which described a key characteristic of entrepreneurs, which involves risk taking and openness to new experiences (Herrington, 2008; Barringer and Ireland (2008)). This is further demonstrated by his strong motivation to expand his business by extending his line of business to ensure that he offers a wider variety of services to his customers.

Lucky, on the other hand, expanded the motivation drawn from family to his broader environment *“I always wanted to own a business since I was young. My father was a businessman; he owned taxis and had a grocery shop as well. I am motivated by the people that I meet every day as a business man. I am also motivated by the relationship I have with various suppliers as well” (Lucky)*

In all three cases, self-employed family members provided relevant role-models. Having seen family making self-employment work likely gave the belief that it is possible to run their own businesses. Bandura (2009) states that entrepreneurial self-efficacy involves individuals’ beliefs regarding their capabilities to attain goals and control positive and negative cognitions an entrepreneur has during the process of starting-up a business. This is of specific relevance for necessity-driven entrepreneurship as self-efficacy beliefs contribute to career choice decisions, particularly if there is no financial safety net (Bandura, 2009).

All three business owners based their belief to be able to make their businesses work on what they had seen and learnt through observation in other survivalist businesses. This meant that they knew how to run a business for survival, but not how to possibly work more strategically towards business growth. Of the eight entrepreneurs, only Moses (tyre business) and Thandokazi (driving school) showed future-directed thinking in terms of their business operations. The other business owners did not express ideas about how to operate differently to become more effective, possibly because they did not have the opportunity to observe role models who had done so. Moses and Thandokazi were the only two business owners who had been exposed to external information in the form of a business consultant and driving school course. Thus, while family influence may have been helpful in increasing entrepreneurship self-efficacy, it could be a hindrance if it encourages people to think that they have sufficient knowledge. This may partly explain the resentment against foreign owned businesses, e.g. Somali shop owners, who often operate more strategically, for example, by buying in bulk for a number of shops. These results speak to Herrington and Wood’s (2003) recommendation that an entrepreneurial mindset which includes the perception by individuals that they have the ability to succeed as entrepreneurs and that entrepreneurship can be a desirable career path. However, this in itself is insufficient, unless it is accompanied by a good grounding in entrepreneurial skills including basic business, administration and financial skills.

4.11.4 Financial Performance of Businesses Studied

It was difficult to get financial information from participants as five of the eight businesses interviewed kept incomplete, poor, or no business records (including financial records). Only Lucky (tailor), Thandokazi (driving school) and Moses (tyre business) seemed to have some form of financial record keeping systems. This made it impossible to conduct a thorough analysis on the businesses' financial performances. Even profit estimates made by business owners were vague, and there was no documentation to verify the amounts provided. It also became clear in the interviews that personal and business finances were not kept separate. Five of the eight businesses interviewed had no historical base from which they could make financial projections. They were also unable to tell what their cash was spent on or would be spent on in future. Here it was helpful that business owners tended to draw on family members' help in the daily running of their businesses (tailor, fruit & veg stall and meat vendor), as it allowed them to reduce fixed costs.

A customised record keeping system designed for use specifically by micro-enterprises may assist such businesses to understand and manage their finances better. A first step should be creating awareness among business owners of the purpose that better records would fulfil in each business. To this end, a form could be developed to allow owners to map out their daily financial activities, for example buying stock, taking inventory at the end of each day or week to determine what has been sold and what has not. It is important to point out, though, that all businesses had been in existence for at least 10 years, indicating that despite limited financial accountability they had managed to sustain themselves; even though for none it had been a way out of poverty yet.

4.12 Assessing Recommendations in Literature based on Case Study Findings

4.12.1 The Need for Education on Entrepreneurship

According to the Consortium for Entrepreneurship Education (2004) entrepreneurship education empowers individuals with knowledge and skills. The knowledge and skills that can be gained from entrepreneurship education include the ability to recognise opportunities, the ability to pursue opportunities by coming up with new ideas and marshalling the needed resources, the ability to create and manage a new venture and the ability to think in a creative And critical manner. The interviews revealed that such skills were indeed lacking among most business owners. What would be important to consider is how best to provide these skills for

township entrepreneurs. Only three of the eight business owners interviewed for this dissertation had completed their matric – Zolani (hair salon), Thandokazi (driving school) and Msuthukazi (meat vendor). It would thus not be appropriate to provide academic training to provide these skills. The three business owners (Thandokazi, Moses and Lucky) who had attended workshops offered by government agencies, including SEDA and Khula Enterprise Finance (based in inner city Cape Town), had implemented the basic principles of accounting, sales and marketing and pricing into their businesses. However, they also pointed out that they would appreciate if such services were brought closer to their site of operation (e.g in Site C area). In addition, on the job training may work best to try and accommodate businesses that are unable to attend such services, for example Lindiwe (the fruit and veg vendor), so that income generation can continue instead of having to close the business. This may also allow for immediate implementation of training/learning through observation as observational learning seems to work well. This speaks to the relevance of mobile business mentors that would visit businesses regularly to assist with basic business support (e.g sales and marketing strategies, pricing, budgeting, inventory management). Lucky (tailor), for example, shared: *“I think SEDA and other government agencies based in Cape Town, CBD, need to have officials that are stationed closer to our businesses (Site C area) even if it means that they visit our businesses once a week, this will make a huge difference to most of us. We could really appreciate the information sharing (through workshops and training). I do not understand the process of registering my business and the benefits that come with that, so if we had business mentors or coaches to support and to help clarify some of these questions then I can stand a better chance of running a successful business (make more profit and hopefully expand my business operations)”* If business mentors or coaches were stationed closer to these informal businesses, they could also assist with business compliance, for example by registering businesses on the SARS website and submit documents electronically. Peters and Naicker (2013) pointed out that compliance is a large challenge for registered micro-businesses in South Africa.

The five remaining business owners, too, expressed that entrepreneurship education (bookkeeping, financial planning, creative thinking and innovation) could help them manage their businesses better. These five business owners felt that even though they had been running their businesses for many years, they still needed business skills appropriate to run their businesses in order for them to be fully empowered. The study at hand thus supports Van der Sluis, Van Praag and Vijverberg (2008), who determined that in least developing countries

education is a major drawback to the success of small businesses (see also Sharpe, 2013). Equally so, Tushabomwe-Kazooba (2006) identified poor record-keeping and a lack of basic business skills and management skills as major contributors to SMME failure in Africa. Lack of management experience often makes it difficult for SMMEs to succeed. While a lack of relevant skills had not prevented their operations, the skills gap likely contributed to them not having grown beyond survivalist businesses. The level of growth appeared to have been constant in the past years. As Peters and Naicker (2013) showed, it is not uncommon for businesses to have been in operation for a long time without growing.

Five owners had over six years' of working experience prior to starting their businesses, however. Staw (1991) found that experience was the best predictor of business success, especially when the new business was related to earlier business experiences. Small business owners with prior experience in managing businesses were more capable of finding ways to open new business compared to employees with different career pathways. None of the eight business owners had prior business management experience, however (other than growing up in a family of entrepreneurs), and three had had no work experience at all, yet all businesses had been operating, though informally, for at least five years and thus shown remarkable resilience.

Exposure to entrepreneurship seemed to be a strong motivating factor for all eight business owners interviewed for this study, it may be worthwhile to include entrepreneurship education into the school curriculum. This could contribute to building a strong entrepreneurial culture. It is also the objective of entrepreneurship education to encourage creative thinking and to promote a strong sense of self-worth and accountability, which are valuable skills not just for entrepreneurs.

4.13 Critical Success Factors and Challenges in the Case Studies

Eight of the businesses interviewed had shared some of the key challenges and successes that they faced in the running of their businesses. These were namely: business interference, vision, sales & marketing, bad debtors, customer relations, hard work, cash flow management, business insight, and perseverance.

4.13.1 Business Interference

Four of the micro-enterprises (e.g meat vendor, fruit and veg vendor, tailor and the hair salon) indicated that they have learnt to be firm in running the affairs of their businesses in order to ensure that their family members and friends do not negatively impact their businesses. These four participants felt that it was not easy to run a business in a township since people are used to getting free services especially friends and relatives. As Lindiwe reported, *“Sometimes my friends would ask for products promising to pay me later and never pay.”* Msuthukazi also mentioned that: *“I have learnt the hard way that business is not charity. I felt that it is important to remain disciplined and avoid being over generous.”*

This comment made by the meat vendor Msuthukazi revealed that family business and personal life are intertwined, and this fact also emerged in her challenges with finances. This is worse for those business owners who operate their businesses from their homes (i.e. Jacob, the shoe repair and Sizwe and Thabo, the car wash owners).

4.13.2 Vision

Three businesses (the driving school owner, the tailor and the tyre and panel beater felt that one needs to have a clear vision and should know exactly what they want from the business. According to Thandokazi: *“I am currently offering code 8 (small vehicles) because I do not have enough capital to buy a mini truck. The two second hand vehicles that I use were donated by my boyfriend who is a mechanic and owns his own business. My ultimate plan is to be able to offer code 10 (mini trucks) that would allow me to increase and extend my customer base. My goal is to ensure that I offer a variety of driving lessons (both code 08 and 10). But for me to achieve this I will have to continue saving the profits I am currently making and if possible to register my business so that I can be able to secure vehicle finance from the banks”*

Lucky stated that: *“My goal is to work on redefining my company brand, I also believe that there is a lot of businesses in Site C that offer similar service/product so it becomes difficult to distinguish my services especially since most businesses focus mostly on the same product line (this includes church garments and traditional wear). So I plan on extending my product offering (e.g offering men suits and school uniform) to set myself apart from my competitors. I also believe that this will give me a competitive edge amongst my competitors. I am in the process of achieving this goal but I have to first ensure that I have the right sewing machines and enough capacity (staff) to ensure that I am able to deliver on this”*

Moses added that: *“I plan to extend my service offering by establishing a restaurant and tavern in addition to my panel beating business. This is to attract a larger customer base. I have come to realise that I will need to extend my sources of revenue if I am to succeed in running a business in a township such as Site C. I believe that this form of business attracts a lot of customers hence I have decided on it. I also believe that my restaurant will also benefit some of the locals because I expect to increase employment from two staff members to six. However, my major challenge at this stage is that I will have to register my business in order to secure funding opportunities (from commercial banks)”*

According to Filion (1999), a vision requires a high level of environmental awareness to detect business opportunities. As Moses stated: *“I have come to realise the importance of constantly looking for other business opportunities that attract a lot of customers. I believe that Site C has a lot of youth and if one wants to get their attention, then I have no choice but to sell what they enjoy. This is the reason I want to branch out into owning a tavern/shebeen because I realised that most liquor stores in Site C Mall close at 6pm on weekdays and at 2pm over the weekend. This created an opportunity for me to tap into this space that has a huge demand. Now customers that come for tyre and panel beating services can also have drinks and grab a meal while waiting”*. According to Herrick and Charman (2013), in townships shebeens are multi-faceted social spaces, not only providing a place to drink, but also a recreational space within communities.

Sizwe and Thabo reported that: *“For us to be more efficient we needed to discard using a bucket water system for washing cars. Ever since we started our business we have been using buckets to wash cars and this has proven to be inefficient and causes a lot of impatience from many of our customers. Most of our competitors use hose pipes and sophisticated vacuums when cleaning cars which makes them more appealing to the greater population of motorists. We also plan on buying this type of equipment [hose pipes and vacuums] so that we can be faster and thorough in delivering their services, this we believe will better position our brand.”*

4.13.3 Sales and Marketing

Four of the businesses (Msuthukazi, Lucky, Thandokazi, Zola and Moses) agreed that they have learnt that sales and marketing is key to the success of their businesses (this referring to

the fact that they have been in business for so long and have been able to make decent profits that have contributed to supporting their livelihoods and creating jobs for a few local residents). Some of the participants (Sizwe and Thabo, Lucky and Moses) reported that the bulk of their business came through person to person referrals from satisfied customers, while others (Jacob and Lindiwe) believed that it was mere luck and the location in which their businesses were located (near Site C taxi rank). The following comments from participants illustrate their views on sales and marketing:

“All the business I have done came through referrals from people who were exposed to the quality of my work. So maintaining my contacts has proven to be very important”. (Lucky)

“My signage is colourful enough that it has made people notice my business”. (Moses)

“I made sure that I invest in branding because I know that people are drawn by visuals and that has worked very well for me”. (Thandokazi)

“My location served mostly as my marketing strategy, it is next to the busy taxi rank of Site C”. (Msuthukazi)

“The fact that the area has a lot of food vendors in close proximity to my business allows me to reach out to a larger crowd”. (Lindiwe)

According to Chu, Benzing, and McGee (2007), small entrepreneurs are less able to afford advertising even though such advertising might help distinguish their product or service from competitors. However, the businesses interviewed in this research study have used inexpensive ways to advertise their products and services, such as visibility, long opening hours and convenience of location. Strategic constraints for small businesses involve the inability of small business owners to match their product or service with the demands of the external environment (Harris & Gibson, 2006).

4.13.4 Bad Debtors

It emerged from the interviews that township customers from Site C are used to getting goods and services on credit; some of the businesses that were involved in such practices were the driving school, the tailor and the tyre and panel beater. Two of the eight business owners

interviewed (Lucky and Moses) used a book system to record the customers who purchased goods and services on credit. These businesses offer credit for up to a month to certain customers and the amount offered depends on the type of business; for example, Lucky offers credit to a maximum of R500 per month, while Moses did not put an exact figure on the credit he offers. Nearly all the people entered in the book are pensioners and social grant beneficiaries. The small business owner needs to be vigilant about the various dates on which pensions and social grants are paid so that they can follow up on monies their debtors owe. They normally record the cell numbers of customers so that it is easy for them to communicate with them. It was made clear to the researcher that they did not offer anyone credit, but it was rather for people they knew personally and their neighbours. Other customers were required to pay cash. As Lucky pointed out: *“There were times when customers did not fulfil their promise of settling their accounts on time and this would negatively affect my cash flow because it meant that I did not have enough cash to buy more of my usual supplies in that particular month but it was only on rare occasions because most of the time my customers were always reliable”*.

4.13.5 Business Insight

All business owners interviewed believed that a small business owner should understand who their target market and clients are; for example, the driving school is aware that its customers have to be at least 18 years of age in order to register for driving lessons. Understanding the resources needed to operate a business was also seen as an important factor to consider; for example, the car wash business needs to ensure it has water available in order to wash the cars. Understanding suppliers is another important factor; for example, Lindiwe gets fresh produce for her fruit and vegetable business from Paarl, while Msuthukazi relies mostly on meat butcheries in Maitland, Cape Town, for supplies. In both cases, they have to consider when to buy stock (for example, daily, weekly, monthly or when stock levels are low) and what quantity of stock to buy. Thandokazi said that: *“One of my greatest lessons was to avoid starting a business that I knew nothing about. I once started a fashion design business and the business collapsed when all my designers left to follow their own dreams. I knew nothing about fashion design and as such could not continue. I am of the belief that things work better when you have both passion and skill”*. This confirms Okpara’s (2011) assertion that business owners need to understand the nature of their business and the needs of their customers.

4.13.6 Perseverance

It is common knowledge among the small business owners that business requires perseverance. Some businesses may take time to start making profits from inception. As Lucky reported: *“There were times when my business was very slow and when I was not getting work at the desired rate; even then I would still keep doing what I do with the hope that the business would pick up again”*. Vallone (2008) states that developing and growing a business takes time and patience; if an entrepreneur expects too fast a turnaround time or a breakeven point within too short a time period, expectations will be unmet. Some of the comments of the respondents in this regard were as follows:

“...I have also learnt that you need to believe in God. Sometimes you can spend the whole week without any client coming to you and you have to make things work.” (Lindiwe)

“Sometimes when I look back from when I come from [Ghana], I still believe that South Africa is a safe country to live in even though I still wish I with my family, but I always believe that God will one day give me a breakthrough but I stay hopeful”. (Jacob)

The above comments made by both Lindiwe and Jacob were interesting as they suggest that faith can promote perseverance in the running of a business especially when faced with difficulty times. This is particularly relevant to Jacob, who had stated that there were days when he would go home without making any sales.

According to Miller (2012), a small business owner will be tested day in and day out to get things done; sometimes when things do not go well he or she will be frustrated and angry at times but must be able to persevere.

4.13.7 Customer Relations

There is resonance among six of the participants (Lucky, Thandokazi, Msuthukazi, Lindiwe, Zolani and Moses) that good relations with customers is a very important factor contributing to their business success. This helps them to build trust and reliability which increases customer satisfaction. The participants agreed that good service and warmth from the owner and staff improves good relations with customers. As Lucky stated, *“the treatment and management of customers would keep or kill a business. I believe that it’s important to treat all customers the same despite their stature or position in society”*. Moses commented that *“sometimes one*

needs to also have good interpersonal skills. Do not undermine your clients. I had to be tolerant to difficult clients even though some of them would try to undermine me”.

4.13.8 Hard Work

All participants emphasised that it is important for a business owner to be a hard worker and be hands-on in the affairs of the business. The owner who is not hands on would not understand critical aspects of the business and would always rely on secondary information, which is the interpretation of the situation, rather than knowing the exact business situation. All the participants were of the view that success does not come immediately; it requires commitment, hard work, and extra efforts in order to make it in business. Moses stated that: *“It was important for me to be hands on in my business. I believed that one has to know their business like knowing themselves.”*

Lucky reported that: *“I had to be hands on and deepen my involvement in my business. However, I also advise that if anyone wants to go into business, they need to be realistic. I believed that as a business owner I had to respond to various situations. But I also understood that I had to accept my limitations.”*

A study conducted by Chu, Benzing and McGee (2006) ranked hard work as the most important factor contributing to business success. Neshamba (2000) agreed, asserting that hard work, as evidenced by long working hours, contributes to the success of an entrepreneur.

Based on the results outlines above the critical success factors identified have been summarised in table 4.9 and table 4.10 provides a summary of how the results relate to success factors identified in literature and what interventions might be considered to promote success. **Table 4.9 Critical actions for business success emerging from survivalist business case studies**

Business management training skills	Financial inputs	banking	Government services	Human factors
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<ul style="list-style-type: none"> • A clear understanding of the business system and a good support structure • Business plan and implementation • A great deal of understanding of the competition, mentorship and business system • Training and access to education. 	<ul style="list-style-type: none"> • Revised bank Policies to make it easier to access funds • Extended credit by banking institutions • Banking policies to change and accommodate SMMEs. 	<ul style="list-style-type: none"> • Workshops, following up on people who have established their businesses and seeing their progress • Government to do proper research before formulating policies or acts that do not support SMMEs 	<ul style="list-style-type: none"> • Hard work; it is up to a person if he/she wants to succeed • Belief in own ability and hard work • Passion: doing things people are good at • The need for blacks to stand for themselves without relying on government handouts
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Table 4.10 A comparison of the case findings to literature

Common factors found in literature	Case study findings	Possible relevant interventions
<ul style="list-style-type: none"> Registration of SMMEs is crucial for their growth and their chances of getting funding opportunities from financial institutions (Peters & Naicker , 2013). 	<ul style="list-style-type: none"> None of the businesses interviewed are registered. The majority do not see the importance of getting registered; only the driving school and panel beating businesses were in the process of registering. 	<ul style="list-style-type: none"> Mobile business coaches stationed closer to businesses to facilitate the building of awareness and sharing of information.
<ul style="list-style-type: none"> Access to funding plus cost of funding appears to be the most critical constraints for SMME development and success in South Africa (Mahadea & Pillay, 2008). 	<ul style="list-style-type: none"> None of the businesses interviewed used external funding from financial institutions to start their businesses. This suggested that finance was not the key challenge facing these businesses from growing. For example these businesses have pointed out inadequate infrastructure and insufficient knowledge of bookkeeping (this led to them not knowing the true reflection of their income/revenue therefore the critical issue does not appear to be access to funding but rather weak financial management) 	<ul style="list-style-type: none"> Financial support may be necessary to ensure that these businesses are able to realise their potential growth opportunities. However, it is also important to understand the real challenges faced by the businesses interviewed instead of boxing them to one problem (literature emphasises finance as a key challenge for SMMEs).
<ul style="list-style-type: none"> Government has provided extensive awareness about its programmes which are geared towards supporting SMMEs (Chiware, 2008). 	<ul style="list-style-type: none"> Only three businesses (driving school, tyre and panel beater and the tailor) had been exposed to these government initiatives and awareness campaigns. This suggests that one of the main problems associated with government programmes in supporting small businesses is lack of awareness about its programmes. 	<ul style="list-style-type: none"> There is a need to channel information from national government to local service providers. In addition, government institutions must facilitate the flow of accessible user-friendly information to businesses via a variety of information access points.
<ul style="list-style-type: none"> SMMEs in South Africa are given prominence, because of their labour absorptive capability and thus their ability to alleviate poverty (Ndabeni, 2008). 	<ul style="list-style-type: none"> Even though all eight businesses merely enabled the immediate family's survival. Five out of the eight businesses indicated that they decided to start their businesses out of necessity and are running it purely to survive. This suggested that there was no deliberate attempt to create employment for the general public (people living in Site C) but rather to create employment for their immediate family members (siblings and partners). 	<ul style="list-style-type: none"> There needs to be a deliberate attempt to create employment by small businesses operating in South African townships. Furthermore, there is also a strong need to support an increase in the rate of participation by South Africans in starting and running small businesses to further increase employment and alleviate poverty.

<ul style="list-style-type: none"> • Khula, SEDA, NYDA and other government institutions offer mentorship to SMMEs (Khula, 2009; SEDA, 2010; NYDA, 2010). 	<ul style="list-style-type: none"> • Even though government stresses the need to provide mentorship for small business, it was evident from the interviews that 75% (six of the eight businesses) were not aware of these platforms and have not benefitted at all from such initiatives by government to extend support to their businesses in the form of allocating mentors to help them in their business journey. 	<ul style="list-style-type: none"> • It is important to have the right calibre of mentors: There are many mentorship programmes offered by government institutions. However, it is equally important to have the right kind of mentors. Many mentors fail to add value to the businesses they mentor because they lack business experience. The study has also suggested having mobile mentors to try and address some of these issues.
<ul style="list-style-type: none"> • Local business services centres (LBSCs) have been given the task of facilitating the delivery of efficient, better-quality, and non-financial support services to small businesses across the country (Xuza, 2007). 	<ul style="list-style-type: none"> • The literature suggests that ‘one-stop shops’ are required, where SMMEs can either conclude all the necessary transactions that are required for setting up a business, or complete the required documents for the registration of a new enterprise with the South African Revenue Service. However, based on the results, this was never the case, 75% (six out of the eight businesses interviewed) did not benefit from the LBSC, the majority (six) of these businesses pointed out that they were not aware of such initiatives, while only 25% (two) had benefited. 	<ul style="list-style-type: none"> • The performance of the LBSC programmes has been particularly poor. There are a number of reasons that might have contributed to this, one reason being that the LBSCs tended to service a wide range of businesses. (A key reason for the failure of the LBSC was that with limited resources the LBSC were still expected to be all things to everyone) and were generally unable to mobilise the necessary expertise to provide more than a generic service to these businesses. In response to these failures, SEDA was then introduced to create a single agency capable of supporting small businesses nationally.
<ul style="list-style-type: none"> • Studies have indicated that a poor understanding of basic business skills may have a negative impact on small businesses (Van Vuuren & Groenewald, 2007). 	<ul style="list-style-type: none"> • Only 25% (two of the eight businesses) seem to have made efforts to learn about entrepreneurship education/basic business skills (e.g Thandokazi and Moses). 75% (six of the eight businesses) appeared to have limited knowledge about basic business skills. 	<ul style="list-style-type: none"> • One of the ways in which this can be addressed is through improvements in the access to and quality of entrepreneurship education to SMMEs that are based in Site C, Khayelitsha, especially since this

Six of these businesses said that they have never had of platforms that can educate them about such skills. Based on the observations it was clear that they have learnt from what others have done and also from family members that have operated their own businesses in the past.

area is currently not adequately supported in the area of entrepreneurship education.

4.14 Summary

This chapter presented a description of the data obtained in this study and the key findings, relating these results to the literature presented in the literature review. From the stated findings, the evidence is clear that SMMEs face many constraints, both internal and external. These constraints range from poor understanding of basic business skills (or entrepreneurship education), inadequate infrastructure, lack of mentorship support, to socio-economic factors encountered by the businesses concerned (particularly crime). The main barriers to success highlighted by findings were: a lack of entrepreneurship education, information about and access to government mentorship support initiatives, and a lack of infrastructure.

Chapter Five will reflect on the recommendations and conclusions made in response to the findings of this study.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

Chapter Four presented the results of the study and compared the results to the literature review. This chapter presents recommendations and conclusions drawn, based on the research. The findings of this study suggest that the barriers to the successful operation of SMME activities in Site C, Khayelitsha, are similar to barriers and challenges raised in the literature. Furthermore, interventions exist that can support and empower these SMMEs, and cultivate more sustainable entrepreneurship that will serve to grow the economy of the country. The general consensus among the participants in the study was that they wanted to contribute to the economy and thereby play a part in alleviating poverty in their community. The factors that hinder the growth and success of these businesses, as highlighted in the findings, need to be addressed. These businesses need to be empowered as a matter of urgency in order to contribute to the South African economy (Ramunkumba, 2014).

5.2 Contribution made by the Study

The study affords small business owners with knowledge and insight to run their businesses more effectively. It adds to the information available to the new Minister of Small Business Development, and it could also assist the businesses that were studied in Site C, Khayelitsha, to promote their sustainability and growth. Twenty-three years into democracy in South Africa, it is no longer acceptable that the most marginalised citizenry continues to be disadvantaged by skewed developmental and budgetary priorities and the legacy of spatial apartheid that characterised the apartheid state. An in-depth understanding of the context in which micro entrepreneurs operate is critically important in order for initiatives to support prospective entrepreneurs to be effective. Despite the high rates of failure in the broader SMME sector in South Africa the businesses interviewed for this study showed high resilience and an unexpected ability to survive in difficult conditions.

5.3 Limitations

Various shortcomings were encountered during the data collection for the study. Obtaining the required number of responses was difficult as some businesses were not interested in participating in the research. The study employed a multiple case study approach and may not

be representative of all SMMEs in Site C, Khayelitsha. Whilst this case study focused on surfacing factors that inhibit the growth of small businesses in economically deprived area of Site C, Khayelitsha, it would have a higher level of interpretive value and application if the number of entrepreneurs interviewed had been larger. This would also assist with fine-tuning of applicable and effective interventions that could be implemented swiftly. The eight business varied widely, however, in terms of the services offered and way in which they were run. Despite this, clear commonalities and differences emerged which suggests that the critical success factors identified hold some weight, at least in urban township areas. For this reason, a number of recommendations to support micro-entrepreneurs in economically deprived urban areas have been derived from the study.

5.4 Recommendations

The following recommendations are made, based on the study findings, in order to enable SMMEs to make a meaningful contribution to local and national economic development.

5.4.1 Providing the Right Mentorship Programmes

Growing entrepreneurship requires more than merely raising awareness. Budding entrepreneurs also require access to the necessary training, education, and assistance. It is important to note that there are many mentorship programmes available to support SMMEs in South Africa. However, it might be justifiable to assume that the kind of mentor also plays a key role in business success. For example, some business mentors fail to add value because they lack business experience. In addition to business experience, it is also important that mentors are able to establish a good working relationship with the business owners they mentor. Frese, Gielnik and Mensmann (2016) also found that psychological training is more successful than skills training for entrepreneurs. Based on the interview findings this became more evident as resilience, self-belief and persistence for example were shown in all cases. All entrepreneurs that were interviewed had these characteristics in common therefore mentors should thus also focus and support those factors and not just focus on skills training.

Government support structures and services are often seen as lacking credibility, but many businesses are also not aware of the services government offers. Those that are, are often dissatisfied with the quality of the services offered or received. The key to building effective small business support lies in creating focussed programmes, which are delivered by professional and experienced people who understand the needs of businesses. Attracting these

people into the delivery of small business support services is very important since the success or failure of these programmes relies heavily on the people who deal directly with small business owners.

5.4.2 Effective financial record keeping systems

Finance is a serious challenge for most SMMEs. It is important to address the financial needs of each specific business and alleviate cash flow problems as most businesses cited issues around financial management and record keeping. It was evident from the interviews that no proper financial records were kept. It was also important to note that the haphazard system of running their financial affairs might actually have worked for them as a result the bureaucracy that comes with financial management may actually be detrimental to these survivalist businesses. This meant that a one-size fits all approach may not work for such businesses. A number of the business owners interviewed did not see the need for financial record keeping since they believed that their operations were so small that they could easily oversee and control their business without keeping financial records. However, relying on memory is not a reliable way of recording business transactions, as seemed to be the case for some businesses interviewed.

Finances present a serious problem for most of the businesses interviewed. When starting or expanding a business (whether survivalist, micro-enterprise or small business), business owners often do not know where they can access help, or how sound financial knowledge could help them. They need to look at how much money they have in order to be able to control expenditure and keep a record of this. It is precisely the act of keeping record of their capital (cash) which will help them access bank loans. Finally, families are sometimes seen as the cause of the demise of a small business. Money is often spent on the family's wants and desires first, and in the process the needs of the business are neglected. In other words, family and business are not kept as separate entities which may lead to the failure of the business since not enough money is ploughed back into the business for it to grow and develop into a more sustainable entity

5.4.3 Entrepreneurial Role Models

Only a few of the businesses had access to, and on an ongoing basis, to a genuine entrepreneur. Having parents and family who owned their own businesses motivated some of the business owners which shows the importance of a role model. This may have given them the confidence

to start a business and the belief that it would work. Business owners applied what they had learnt from family members. This speaks to the importance of having a role model. Within that it would then be important that the role model's successful behaviour, not just that they had owned a business (as learning transfer seems to take place through observation). The presence of a role model in close proximity can have a significant motivational and learning impact on an entrepreneur's eventual level of success. Access to the formal workplace, regardless of sector, provides a learning experience which cannot be taught. The element of "social capital" has a significant bearing here as having access to someone who can act as an entrepreneurial role model may be difficult especially within economically deprived communities but in order to be able to think bigger than just to survive of their business they may need wider exposure (to conceive of possibilities beyond what they have now). The absence of meaningful social capital has severe implications for future entrepreneurial development in these impoverished spaces, and contributes toward an understanding of the "locked-out" phenomenon of black business generally over the past 23 years.

5.4.4 Improving Awareness of the Services and Assistance for SMMEs

The need for a greater and more regular awareness of government SMME support initiatives and services is critical, as is the use of appropriate media channels. Government-led initiatives to organise micro enterprises into structured and effectively functioning bodies that can assist enterprises across the multiple challenges they face daily is crucial in maintaining a regular and supportive flow of relevant information to them. The value of this focused approach is that it allows for a stronger, more relevant and frequent flow of critical information that provides enough contemporary impetus for "a more supportive enabling environment for SMMEs, as well as the space to utilise communication technologies in more reliable, consistent and niche-driven ways" (GEM 2013).

The business owners interviewed expressed various views on how to improve awareness of government services to the broader SMME sector, as well their own niche sub sector. These included greater and more frequent use of community newspapers, as well as television (notably SABC 1, as well as SABC 2, 3 and eTV stations). Interestingly, the options recommended are options considered as traditional print and television media, and have low or no cost barriers.

In the context of the businesses interviewed, smartphones could be an effective alternative. It would be reasonable to assume that the smartphone as a device and with its technical protocols and innovations are a key area for information dissemination and liaison. The smartphone phenomenon and its Internet and multiple media and social media third carrier services offer by far the most practical and, currently, lowest cost access to critical information for SMMEs. Additionally, the level of smartphone penetration into the township context is estimated at 27% (*Cape Times*, Business Report, 2014), thus offering significant opportunities to expand access to information especially for communities in the socio-economic context. The current market reality is that South African marketing norms target desktop Internet users, a significant incongruence with clear market and technology realities (*Cape Times*, Business Report, 2014). The low percentage use of community newspapers as well as community radio stations suggests that they are also seriously under-utilised.

5.4.5 The Increasing Role of Mobile Telecommunications

Mobile telephony, especially when it comes to the standard of business operating functions, market development and expansion, is both a cost effective and critical area requiring priority attention in addressing informational and business survival and expansion issues. During the interview process with the business owners, it became clear that all of them possessed a cellphone and several had smart-phones. Whilst not explicitly identified as a mobile telecommunications issue during the interviews, it became clear that whilst the business owners did not all have access to the Internet, they did all have access to a mobile phone device. The respondents' access to information, especially about government provided support measures and services, was thus restricted to traditional media (newspapers and television), whilst locking them out of web-based information platforms. This area holds significant promise especially within the context of government's own priority for the ICT sector and ensuring greater access to the masses of the South African citizenry. This is an opportunity to provide access to marginalised business people within informal settlements to participate and cross the currently massive digital divide and resulting exclusion.

Mobile telephony and its capabilities could provide multiple opportunities in this marginalized context. Benefits could include mobile applications for stock order placement, payment facilitation, and non-cash management that reduces business risk.

All eight businesses interviewed are at risk of being targets of robbery because they are largely cash-based businesses and do not have card facilities. Customers typically pay in cash, and so criminals are aware that these businesses will likely have cash on the premises. Another factor to be considered is that some of these businesses are home-based. As a result, criminal activities do not only affect their businesses but also their homes if they are invaded and such situations have the potential to turn violent. Reducing the number of cash transactions at micro-enterprises would make them less appealing targets for criminals. One way to attempt to reduce the vulnerability of micro-enterprises operating in such areas would be to implement cashless systems such as debit card payments for some the businesses interviewed. However, such sophisticated systems might not be feasible given the nature of these businesses as they are small in size, the costs might prove too expensive and they may not get card facilities from banks as they are not registered. The cost for debit/credit card transactions may be too high and would require regular access to electricity supply, and some of the businesses do not have access to such infrastructure. On the other hand, business owners could partner with established cashless services like MyCiti (MyCiti cards can be loaded with cash) so that customers can use their MyCiti cards for payment and business owners could get favourable rates (as an incentive). In that way, there would also be some form of registration (at least on the City of Cape Town database) and income data could be assessed, which in turn could assist business coaches/mentors.

5.5 Conclusions

It is important to understand that the responsibility for ensuring the success of SMMEs in areas such as Site C, Khayelitsha, does not rest entirely with government, but is shared by a wide range of organisations and institutions including local and regional chambers of business, and national associations and the businesses themselves. However, there are areas of policy and legislation which impact on these businesses, and which, if effective, would improve the overall environment for small businesses in areas such as Site C, Khayelitsha.

The gap in current SMME support programmes may lie in the manner in which they are managed and administered. There is need to minimise the levels of bureaucracy embedded in the programmes. Administration needs to be streamlined, turnaround times improved and staff employed who have an appreciation of what is involved in running a business. These services also need to be available at micro-entrepreneurs' workplaces.

The case study findings showed that not all small businesses interviewed were entrepreneurial, as many were started with limited growth ambitions. For example, Lindiwe (fruit and vegetable vendor) stated that her reason for starting her business was merely to “*survive and feed her family*”, while Jacob (shoe repair) mentioned that his business helped him to “*keep him occupied and to provide for his family*”. No plans existed to grow their businesses. Other start-ups, such as micro enterprises, have such limited scope that their prosperity is doubtful, yet all of the businesses interviewed had been in operation for multiple years and provided a means for survival. Among the interviewees there were thus two types of entrepreneurs: while the majority of the businesses (five out of eight) leaned towards necessity driven entrepreneurship (entrepreneurs who are forced by circumstance to go the entrepreneurship route due to lack of alternatives), a minority of these businesses (three out of eight) were opportunity entrepreneurs, driven by creativity, ingenuity, resourcefulness and determination to succeed. Thus, some of the business owners were enterprising, but true entrepreneurs usually create and innovate to build and grow something of recognised value. An entrepreneur identifies an opportunity to start a business that fulfils a consumer’s need. This need may not have been acknowledged by some of the businesses. According to Westhead, Wright and McElwee (2011), not all SMMEs achieve anything new or different, nor do they all grow and become successful. Therefore, although small businesses contribute to wealth creation and add value to the economy, not all SMMEs are necessarily entrepreneurial (Westhead, et al., 2011). It became clearer that while some of the entrepreneurs interviewed had been pushed to start their ventures due to necessity, they still recognised and respected their role within society. Even though entrepreneurship is not necessarily a first option for micro-entrepreneurs it seems to be a respected career choice.

Here it is important to recognise that the ability to start-up or grow a business inherently depends on the individual (internal factors) besides external factors, as seen in the case studies presented in this study. Without a strong entrepreneurial drive and resilience, one would expect limited or no entrepreneurial activities in volatile or precarious business environments. Lack of funding may have been viewed by some of the small businesses as one of the biggest obstacles to their business success, yet they had been able to sustain their operations over time. While funding may thus be one of the obvious concerns, being able to access social capital may be equally important. Even the best support programmes cannot substitute for the creativity, resilience, resourcefulness and determination that is required in running a business.

This study's findings thus suggest that it is not appropriate to employ a one-size-fits all approach, but rather that the circumstances surrounding a micro-enterprise need to be considered when deciding what support mechanism is the most appropriate.

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Appendix A: The Interview Cover Letter for the Participants in Site C, Khayelitsha

Dear Respondent

Thank you for agreeing to participate in this research project. The aim of the research is toward the fulfilment of a Masters' Degree in Development Finance at the University of Cape Town.

The subject is the investigation of factors that prevent small businesses in economically deprived areas from growing, with a particular focus in Site C, Khayelitsha.

The researcher is Lwazi Ncoliwe, a post graduate student at the University of Cape Town and can be confirmed at the University of Cape Town via the Departmental telephone number being 021 – 650 4375/ 2727

The researcher provides the assurance that all interviews conducted will be treated with strict confidentiality. Any participant has the right to withdraw from the research process at any time throughout the process without any consequence to themselves.

Researcher: L. Ncoliwe (University of Cape Town – Masters' Student)

Appendix B: A picture and map of Khayelitsha

